

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996 COMMISSION FILE NUMBER 1-9553

VIACOM INC.
(Exact Name Of Registrant As Specified In Its Charter)

Delaware 04-2949533
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation Or Organization) Identification No.)

1515 Broadway, New York, NY 10036
(Address of Principal Executive Offices) (Zip Code)

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

Securities Registered Pursuant to Section 12(B) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, \$0.01 par value	American Stock Exchange
Class B Common Stock, \$0.01 par value	American Stock Exchange
Warrants Expiring on July 7, 1997	American Stock Exchange
Warrants Expiring on July 7, 1999	American Stock Exchange
6.625% Senior Notes due 1998	New York Stock Exchange
6.75% Senior Notes due 2003	American Stock Exchange
7.75% Senior Notes due 2005	American Stock Exchange
8% Exchangeable Subordinated Debentures due 2006	American Stock Exchange
7.625% Senior Debentures due 2016	American Stock Exchange

Securities Registered Pursuant To Section 12(G) of the Act:
None
(Title Of Class)

Indicate by check mark whether 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 21, 1997, 69,460,550 shares of Viacom Inc. Class A Common Stock, \$0.01 par value ("Class A Common Stock"), and 282,799,274 shares of Viacom Inc. Class B Common Stock, \$0.01 par value ("Class B Common Stock"), were outstanding. The aggregate market value of the shares of Class A Common Stock (based upon the closing price of \$36.50 per share as reported by the American Stock Exchange on that date) held by non-affiliates was approximately \$825,705,701.00 and the aggregate market value of the shares of the Class B Common Stock (based upon the closing price of \$37.00 per share as reported by the American Stock Exchange on that date) held by non-affiliates was approximately \$8,532,322,359.00.

DOCUMENTS INCORPORATED BY REFERENCE

The Definitive Proxy of the Registrant for the 1997 Annual Meeting of Shareholders (Part III to the extent described herein).

Part I

Item 1. Business. Background

Viacom Inc. (together with its subsidiaries and divisions, unless the context otherwise requires, the "Company") is a diversified entertainment and publishing company with operations in four segments: (i) Networks and Broadcasting, (ii) Entertainment, (iii) Video and Music/Theme Parks, and (iv) Publishing. Through the Networks and Broadcasting segment, the Company operates MTV: MUSIC TELEVISION(R), SHOWTIME(R), NICKELODEON(R)/NICK AT NITE(R) and VH1 MUSIC FIRST(TM), among other program services, and 11 broadcast television stations. Through the Entertainment segment, which includes PARAMOUNT PICTURES(R) and the Company's approximately 75%-owned subsidiary SPELLING ENTERTAINMENT GROUP INC. ("SPELLING"), the Company produces and distributes theatrical motion pictures and television programming. Through the Video and Music/Theme Parks segment, which includes the BLOCKBUSTER(R) family of businesses and PARAMOUNT PARKS(R), the Company owns, operates and franchises videocassette rental and sales stores worldwide and owns and operates music stores in the U.S. In addition, PARAMOUNT PARKS owns and operates five theme parks and one water park in the U.S. and Canada. Through the Publishing segment, which includes SIMON & SCHUSTER(R), MACMILLAN PUBLISHING USA(TM) and PRENTICE HALL(R), the Company publishes and distributes educational, consumer, business, technical and professional books, and audio-video software products.

The Company was organized in Delaware in 1986 for the purpose of acquiring the stock of a predecessor. On March 11, 1994, the Company acquired a majority of outstanding shares of Paramount Communications Inc. by tender offer; on July 7, 1994, Paramount Communications Inc. became a wholly owned subsidiary of the Company, and, on January 3, 1995, Paramount Communications Inc. was merged into the principal subsidiary of the Company. On September 29, 1994, Blockbuster Entertainment Corporation merged with and into the Company. On July 31, 1996, the Company completed the split-off of a subsidiary that held its cable television systems to its shareholders pursuant to an exchange offer and related transactions. On February 16, 1997, the Company entered into an agreement to sell its ten radio stations to Evergreen Media Corporation of Los Angeles. Additionally, the Company has determined to dispose of its interactive game businesses, including VIRGIN INTERACTIVE ENTERTAINMENT(TM) which SPELLING plans to dispose of in 1997. Each of the radio and interactive games business units are now accounted for as discontinued operations (see "Business -- Discontinued Operations").

As of March 21, 1997, National Amusements, Inc. ("NAI"), a closely held corporation that owns and operates more than 1,100 movie screens in the U.S. and the U.K., owned approximately 67% of the Company's voting Class A Common Stock ("Class A Common Stock"), and approximately 28% of the Company's outstanding Class A Common Stock and non-voting Class B Common Stock ("Class B Common Stock") on a combined basis. NAI is not subject to the informational filing requirements of the Securities Exchange Act of 1934, as amended. Sumner M. Redstone, the controlling shareholder of NAI, is the Chairman of the Board and Chief Executive Officer of the Company.

The Company's principal offices are located at 1515 Broadway, New York, New York 10036 (telephone 212/258-6000). At December 31, 1996, the Company and its affiliated companies employed approximately 83,500 people, of which approximately 33,000 were full-time salaried employees.

Business

Networks and Broadcasting

Networks. The Company owns and operates advertiser-supported basic cable television program services and premium subscription television program services in the U.S. and internationally. The MTV Networks division ("MTVN") includes such owned and operated program services as MTV: MUSIC TELEVISION(R) ("MTV") in the U.S., in Europe and in Latin America, NICKELODEON(R) in the U.S., in Latin America and in Scandinavia, NICK AT NITE(R), VH1 MUSIC FIRST(TM) (in the U.S., "VH1"), and VH-1(TM) in the U.K., MTV's recent spin-off, M2: MUSIC TELEVISION(TM), and NICKELODEON's recent spin-off, NICK AT NITE'S TV LAND(TM) in the U.S. MTVN also participates in program services as a joint venturer, including MTV(TM) in Asia and in Brazil, NICKELODEON(TM) and THE PARAMOUNT CHANNEL(TM) in the U.K., NICKELODEON(TM) in Australia and in Germany, and VH-1 in Germany. Showtime Networks Inc. ("SNI") owns and operates SHOWTIME(R), THE MOVIE CHANNEL(TM) and FLIX(R), and participates as a joint venturer in, and is the manager of, SUNDANCE CHANNEL(R), a premium subscription television program service which launched on February 29, 1996. Additionally, the Company participates as a joint venturer in the UNITED PARAMOUNT NETWORK(R) ("UPN"), a broadcast television network, and in four advertiser-supported basic cable program services: USA NETWORK(TM) and SCI-FI CHANNEL(TM) (both of which are operated by USA Networks), COMEDY CENTRAL(R), and ALL NEWS CHANNEL(TM). The Company also participates as a joint venturer in a direct-to-home platform offering programming in the Middle East ("GULF DTH"). GULF DTH, which launched in April 1996, includes programming from MTV, VH-1, NICKELODEON, NICK AT NITE'S TV LAND, THE PARAMOUNT CHANNEL (see "Business -- Entertainment"), and a Middle East-oriented premium subscription movie-based program service managed by SNI called THE MOVIE CHANNEL, among other services.

Generally, the Company's networks are offered to customers of cable television operators, distributors of direct-to-home satellite services ("DTH") and other multichannel distributors. DTH distributors provide service by either low-powered C-Band satellite technology (received by large satellite dishes at customers' premises, "TVRO") or mid-to high-powered K-Band satellite technology (received by smaller satellite dishes at customers' premises, "DBS") (TVRO and DBS, together, "DTH"). Cable television operators are currently the predominant distributors of the Company's program services in the U.S. Internationally, the predominant distribution technology varies territory by territory.

MTV Networks. MTV targets viewers from the ages of 12 to 34 with programming that consists primarily of music videos and concerts, augmented by music and general lifestyle information, comedy and dramatic series, animated programs, news specials, interviews, documentaries and other youth-oriented programming. On

August 1, 1996, the Company launched M2: Music Television, a new 24-hour, seven-days-a-week spin-off of MTV that targets a segment of the 12 to 34 year old audience with a "Freeform" music format which features music videos from a broad range of musical genres and artists.

MTV continues to expand its business opportunities based on its programming. MTV FILMS(TM) produced the highly successful "BEAVIS & BUTT-HEAD DO AMERICA", released by PARAMOUNT PICTURES in December 1996. MTV has also launched lines of home videos, consumer products and books, featuring MTV programming and personalities, as well as on-line services offering music information and interactive versions of MTV programming. In addition, MTV pursues broadcast network and first-run syndication television opportunities through MTV PRODUCTIONS(TM).

MTV was licensed to approximately 61.6 million domestic subscribers at December 31, 1996 (based on subscriber counts provided by each distributor of the service, including cable, DTH and other multichannel programming providers). According to the December 1996 sample reports issued by the A.C. Nielsen Company (the "Nielsen Report"), MTV reached approximately 66.7 million domestic subscriber households.

MTV also owns and operates, participates in as a joint venturer and licenses third parties to operate MTV program services throughout the world. The MTV international program services are described in the chart below. These international MTV program services are regionally customized to suit the local tastes of their young adult viewers by the inclusion of local music, programming, and on-air personalities, and use of the local language.

NICKELODEON combines acquired and originally produced programs in a pro-social, non-violent format comprising two distinct program units tailored to age-specific demographic audiences: NICKELODEON, targeted to audiences ages 2 to 15 (which includes NICK JR.(R), a program block designed for 2 to 5 year olds), features a variety of live-action and animated programs, including children's game shows, educational shows, puppet shows, dramatic specials, comedy, adventure and magazine shows; and NICK AT NITE, which attracts primarily audiences ages 18 to 54 and offers mostly situation comedies from various eras, including I LOVE LUCY, THE DICK VAN DYKE SHOW, HAPPY DAYS, THE MARY TYLER MOORE SHOW and TAXI. At December 31, 1996, NICKELODEON/NICK AT NITE was licensed to approximately 63.9 million domestic subscribers (based on subscriber counts provided by each distributor of the service, including cable, DTH and other multichannel programming providers). According to the Nielsen Report, NICKELODEON/NICK AT NITE reached approximately 69.3 million domestic subscriber households. According to the Nielsen Report for the season ending February 23, 1997, NICKELODEON held 56% of the gross ratings points for the kids ages 2 to 11 market. On April 29, 1996, the Company launched NICK AT NITE'S TV LAND, a 24-hour, seven-days-a-week spin-off of NICKELODEON, comprised of a broad range of well-known television programs from various genres, including comedies, dramas, westerns, variety and other formats from the 1950s through the 1980s. At December 31, 1996, NICK AT NITE'S TV LAND was licensed to approximately 18.3 million domestic subscribers (based on subscriber counts provided by each distributor of the service, including cable, DTH and other multichannel programming providers).

NICKELODEON licenses its brands and characters for and in connection with merchandise, home video and publishing worldwide. Additionally, the Company publishes a monthly NICKELODEON MAGAZINE, which had approximately 603,000 subscribers at December 31, 1996, and created NICKELODEON MOVIES(TM), a new unit, which is developing a mix of story and character-driven projects based on original ideas and NICKELODEON programming, such as the feature film, HARRIET THE SPY, which was co-produced with PARAMOUNT PICTURES and released in 1996. NICKELODEON also owns and operates theme park attractions and touring shows under its NICKELODEON RECREATION(TM) unit and interactive public attractions and television production studios under its NICKELODEON STUDIOS(R) unit located at Universal Studios Florida. NICKELODEON also promotes its programming through its on-line services.

NICKELODEON also owns and operates, participates in as a joint venturer and licenses third parties to operate NICKELODEON program services throughout the world. The NICKELODEON international program services are described in the chart below. These international program services are customized by region and country to suit the tastes and needs of their viewers by inclusion of regionally or locally produced programming and by use of local language.

VH1 presents both current and retrospective music and related programming in the form of: videos, long-form series and specials, original concerts, artist interviews and fashion, and music-based news and information, as well as promotion on its on-line services, and targets an audience from the ages of 25 to 44. At December 31, 1996, VH1 was licensed to approximately 54.5 million domestic subscribers (based on subscriber counts provided by each distributor of the service, including cable, DTH and other multichannel programming providers). According to the Nielsen Report, VH1 reached approximately 56.3 million domestic subscriber households. International versions of VH1 program services are described in the chart below.

MTVN, in exchange for cash and advertising time or for promotional consideration only, licenses from record companies music videos for exhibition on MTV, VH1 and other MTVN program services. The agreements generally cover a three to five year period and contain provisions regarding video debut and exclusivity rights in the U.S. MTVN has entered into multi-year global music video licensing agreements with certain of the major record companies. MTVN also is negotiating and expects to conclude additional license agreements with major and independent labels. However, there can be no assurance that such agreements can be concluded on favorable terms. MTVN is continuing to take measures to assure its music video program services worldwide access to music videos. (See "Business--Competition--Networks")

MTVN derives revenues principally from two sources: the sale of time on its own networks to advertisers and the license of the networks to cable television operators, DTH and other distributors. The sale of MTVN advertising time is affected by viewer demographics, viewer ratings and market conditions for advertising time. Adverse changes in general market conditions for advertising may affect MTVN's revenues. (See "Business--Competition--Networks")

The following table sets forth information regarding MTVN program services operated internationally:

Program Service(1) -----	Territory -----	Ownership -----	Regional Feeds/ Language(2) -----	Launch/Commencement Date -----
MTV Europe(3)	38 territories, including most of Europe, South Africa and certain countries in the former Soviet Union and the Middle East	100% by the Company	3 Regional Feeds (North, Central and South), all in English (except Central feed now partially in German)	August 1987
MTV Latin America	Latin America, the Caribbean, Brazil and the U.S.	100% by the Company	2 Regional Feeds in Spanish	October 1993
MTV Brasil	Brazil	Joint Venture (with Abril S.A.)	Portuguese	October 1990
MTV Mandarin	Taiwan, certain provinces in China* and Singapore	Joint Venture (with PolyGram N.V.)	Mandarin	April 1995
MTV Asia	South East Asia (Brunei, Thailand, Singapore, Indonesia, Malaysia, Vietnam), Hong Kong*, South Korea* and the Philippines	Joint Venture (with PolyGram N.V.)	English	May 1995
MTV India	India, Sri Lanka, Bangladesh, Nepal and Pakistan	Joint Venture (with PolyGram N.V.)	English and Hindi	October 1996

Program Service -----	Territory -----	Ownership -----	Regional Feeds/ Language -----	Launch/Commencement Date -----
MTV Japan	Japan	Licensing Arrangement (with Music Channel Co., Ltd.)	Japanese	December 1992
MTV Australia	Australia	Licensing Arrangement (with Austereo Village Music TV Pty Limited and Optus Vision Pty Limited)	English	March 1997
Nickelodeon Latin America	Latin America, Brazil and the Caribbean	100% by the Company	Spanish and Portuguese	December 1996
Nickelodeon Nordic*	Scandinavia (including Sweden, Norway, Denmark)	100% by the Company	Two regional feeds/English and Swedish	February 1997

Program Service -----	Territory -----	Ownership -----	Regional Feeds/ Language -----	Launch/Commencement Date -----
Nickelodeon Germany*	Germany	Joint Venture (with Ravensburger Film and TV GmbH and Bear Stearns)	German	July 1995
Nickelodeon U.K.*	United Kingdom	Joint Venture (with British Sky Broadcasting Limited)	English	September 1993
Nickelodeon Australia	Australia	Joint Venture (with XYZ Entertainment Pty Ltd.)	English	October 1995
VH-1 U.K.	U.K., Ireland, the Middle East, Africa, Scandinavia and Eastern Europe	100% by the Company	English	September 1994
VH-1 Germany	Germany	Joint Venture (with Bear Stearns)	German	May 1995

(1) Unless otherwise indicated by an asterisk, the program services are 24 hours-a-day, and seven days-a-week.

(2) All MTV and VH-1 program services include English language music videos.

(3) In 1996 MTV Europe divided its one Pan-European service into three regional services in order to provide viewers with more locally relevant programming, including some local language programming. At December 31, 1996, MTV Europe had 56.1 million subscribers (based on subscriber counts provided by each distributor of the service, including cable, DTH and other multichannel programming providers).

Showtime Networks Inc. SNI owns and operates three commercial-free, premium subscription television program services: SHOWTIME, offering recently released theatrical feature films, original movies and series, family entertainment and boxing and other special events; THE MOVIE CHANNEL, offering recently released theatrical films and related programming and, beginning in March 1997, original movies; and FLIX, an added-value program service featuring theatrical movies primarily from the 1960s, 70s and 80s, as well as select recent titles. At December 31, 1996, SHOWTIME, THE MOVIE CHANNEL and FLIX, in the aggregate, had approximately 15.9 million cable and other subscribers in 50 states and certain U.S. territories. SUNDANCE CHANNEL, a joint venture (among SNI, an affiliate of Robert Redford and an affiliate of PolyGram Filmed Entertainment Distribution Inc.) which is managed and operated by SNI, launched on February 29, 1996. SUNDANCE CHANNEL is a commercial-free 24-hour, seven-days-a-week premium subscription service, dedicated to independent film, featuring top-quality American independent films, documentaries, foreign and classic art films, shorts and animation, with an emphasis on recently released titles.

SNI also provides special events, such as sports events, to licensees on a pay-per-view basis. In March 1995, SNI entered into an exclusive multi-year agreement with former heavyweight champion Mike Tyson and Don King Productions, Inc. for SHOWTIME EVENT TELEVISION's pay-per-view marketing and distribution of Mike Tyson's fights over three years. SHOWTIME EVENT TELEVISION(TM) is a pay-per-view distributor of special events, including boxing events. To date, SHOWTIME EVENT TELEVISION has distributed four such Mike Tyson fights on a pay-per-view basis.

On February 5, 1997, SNI sold certain assets of its subsidiary, SHOWTIME SATELLITE NETWORKS INC. ("SSN"), to Consumer Satellite Systems, Inc. ("CSS"). SSN had been in the business of offering subscriptions to the Company's and other program services to TVRO viewers on a direct retail basis. SNI will continue to offer its program services to DTH satellite packagers such as CSS on a wholesale basis.

In order to exhibit theatrical motion pictures on premium subscription television, SNI enters into commitments to acquire rights, with an emphasis on acquiring exclusive rights for SHOWTIME and THE MOVIE CHANNEL, from major or independent motion picture producers and other distributors. SNI's exhibition rights cover the U.S. and may, on a contract-by-contract basis, cover additional territories. SNI has several significant theatrical motion picture license agreements, including the following: with PARAMOUNT PICTURES for the exclusive U.S. premium television rights to up to 196 of PARAMOUNT PICTURES' feature films, commencing with feature films initially theatrically released in the U.S. during the period from 1998 through at least 2004, as well as 300 titles from its film library (see "Business--Entertainment"); with Sony Pictures Entertainment Inc. for the exclusive U.S. premium television rights to up to 125 of TriStar Pictures' feature films initially theatrically released in the U.S. through December 1998 (as well as certain other feature films); with Metro-Goldwyn-Mayer Inc. ("MGM") for the exclusive U.S. premium television rights to up to 150 of MGM's feature films initially theatrically released in the U.S. through August 31, 2001; with PolyGram Filmed Entertainment Distribution Inc. for the exclusive U.S. premium television rights to up to 100 of PolyGram's feature films initially theatrically released in

the U.S. through the year 2001; with Castle Rock Entertainment for the exclusive U.S. premium television rights to up to 55 of Castle Rock Entertainment's feature films initially theatrically released in the U.S. through the year 1999; and with Phoenix Pictures ("Phoenix") for the exclusive U.S. premium television rights to up to 40 of Phoenix Pictures' feature films initially theatrically released in the U.S. through the year 2002. SNI's agreement with Phoenix also provided for the Company's acquisition of an approximate 11% equity investment in Phoenix. Theatrical motion pictures are generally exhibited first on SHOWTIME and THE MOVIE CHANNEL after an initial period for theatrical, home video and pay-per-view exhibition and before the period has commenced for standard broadcast television and basic cable television exhibition. Many of the motion pictures which appear on FLIX have been previously available for standard broadcast and other exhibitions.

SNI also arranges for the development, production, acquisition and, in many cases, distribution of original programs and motion pictures. These original programs and motion pictures premiere in the U.S. on SHOWTIME, unless they are previously theatrically released. Such programming is also exploited in various media worldwide. As part of its original programming strategy, SNI intends to produce or acquire approximately 50 SHOWTIME original movies in 1997. The producers of SNI's original motion pictures are given an opportunity to seek a theatrical release prior to their exhibition on SHOWTIME. If they are not successful in obtaining such a theatrical release, these pictures then premiere in the U.S. on SHOWTIME. SNI has entered into and plans to continue to enter into co-financing, co-production and/or co-distribution arrangements with other parties to reduce the net cost to SNI for its original movies. In 1996, Hallmark Entertainment Distribution Company was the predominant co-producer, co-financier and co-distributor of SNI's original motion pictures that were produced and premiered in that calendar year.

The costs of acquiring premium television rights to programming and producing original motion pictures are the principal expenses of SNI. At December 31, 1996, in addition to program acquisition commitments reflected in the Company's financial statements, SNI had commitments to acquire programming rights and original programming commitments in an aggregate amount of approximately \$1.5 billion, most of which is payable over the next six years as part of SNI's normal programming expenditures. SNI's commitments to acquire programming rights are contingent upon delivery of motion pictures which are not yet available for premium television exhibition and, in many cases, have not yet been produced.

Other Joint Ventures. USA Networks, a joint venture of the Company and Universal Studios, Inc. ("Universal"), operates two advertiser-supported basic cable television program services in the U.S.: USA NETWORK, a general entertainment and sports channel, and SCI-FI CHANNEL, a science fiction channel. Internationally, USA Networks operates USA NETWORK in Latin America and SCI-FI CHANNEL in Europe. COMEDY CENTRAL, a joint venture of the Company and Home Box Office ("HBO"), a division of Time Warner, is an advertiser-supported basic cable television comedy program service. ALL NEWS CHANNEL, a joint venture of the Company and Conus Communications Company Limited Partnership, a limited partnership whose managing general partner is Hubbard Broadcasting, Inc., consists of national and international news, weather, sports and business news.

United Paramount Network. On January 15, 1997, the Company acquired a 50% interest in UPN(R) from BHC Communications, Inc. ("BHC"), an affiliate of Chris Craft Industries, Inc., pursuant to an option the Company exercised on December 4, 1996, for a price of approximately \$160 million, an amount equaling approximately one-half of BHC's aggregated cash contributions to UPN through the exercise date, plus market-based interest. At December 31, 1996, UPN provided 10 hours of programming a week, including two-hour prime-time programming blocks three nights a week, to affiliates in approximately 159 U.S. television markets, reaching approximately 90% of all U.S. television households. The Company also produces original programming for UPN (see "Business -- Entertainment") and owns and operates nine affiliates of UPN (see "Business -- Broadcasting").

Broadcasting. The Company owns and operates 11 television stations. All of these television stations operate pursuant to the Communications Act of 1934, as amended (the "Communications Act"), under licenses granted by the Federal Communications Commission ("FCC"). Such licenses are renewable every eight years.

In connection with the expansion and development of the Company's interest in UPN, the Company has pursued a strategy of acquiring television stations in major U.S. markets through like-kind exchanges of the Company's stations which are affiliated with networks other than UPN for stations which are or become UPN affiliates. On February 20, 1997, the Company entered into a three-way exchange agreement with Cox Broadcasting Corporation and A. H. Belo Corporation whereby the Company will exchange KMOV-TV, a CBS affiliate serving St. Louis, Missouri, for KSTW-TV, which will become a UPN affiliate serving Seattle-Tacoma, Washington, and cash. On September 30, 1996, the Company exchanged WHEC-TV, serving Rochester, New York, and WNYT-TV, serving Albany-Schenectady-Troy, New York, for UPN affiliate WTOG-TV, serving Tampa-St. Petersburg-Sarasota, Florida. The table below sets forth a list of the 11 television stations owned and operated by the Company at March 21, 1997.

Station and Metropolitan Area Served*	Market Rank	Type	Network Affiliation and Expiration Date of Affiliation Agreement
WPSG-TV Philadelphia, PA	4	UHF	UPN/January 16, 1998
WSBK-TV Boston, MA	6	UHF	UPN/January 16, 1998
WDCA-TV Washington, DC	7	UHF	UPN/January 16, 1998
KTXA-TV Dallas-Ft. Worth, TX	8	UHF	UPN/January 16, 1998
WKBD-TV Detroit, MI	9	UHF	UPN/January 16, 1998
WUPA-TV Atlanta, GA	10	UHF	UPN/January 16, 1998

KTXH-TV			
Houston, TX	11	UHF	UPN/January 16, 1998
WTOG-TV			
Tampa-St.	15	UHF	UPN/January 16, 1988
Petersburg-Sarasota, FL			
WBFS-TV			
Miami-Ft. Lauderdale, FL	16	UHF	UPN/January 16, 1998
KMOV-TV**			
St. Louis, MO	21	VHF	CBS/December 31, 1997
WVIT-TV			
Hartford-New Haven, CT	27	UHF	NBC/February 1, 2002

*Metropolitan Areas Served are A.C. Nielsen Company's Designated Market Areas.

** The Company has entered into an agreement to exchange this station for KSTW-TV, serving Seattle-Tacoma, Washington.

Entertainment

The Entertainment segment's principal businesses are the production and distribution of motion pictures and television programming as well as movie theater operations and music publishing.

Theatrical Motion Pictures. Through PARAMOUNT PICTURES, the Company produces, finances and distributes feature motion pictures. Motion pictures are produced by PARAMOUNT PICTURES, produced by independent producers and financed in whole or in part by PARAMOUNT PICTURES, or produced by others and distributed by PARAMOUNT PICTURES. Each picture is a separate and distinct product with its financial success dependent upon many factors, among which cost and public response are of fundamental importance. The normal distribution cycle of motion pictures produced or acquired for distribution by PARAMOUNT PICTURES is exhibition in U.S. and foreign theaters followed by videocassettes and discs, pay-per-view television, premium subscription television, network television, and basic cable television and syndicated television exploitation. During 1996, PARAMOUNT PICTURES theatrically released 17 feature motion pictures in the U.S., including, MISSION: IMPOSSIBLE, THE FIRST WIVES CLUB and STAR TREK: FIRST CONTACT. PARAMOUNT PICTURES plans to release approximately 17 to 20 films in 1997, including PRIVATE PARTS, THE SAINT, THE FLOOD, FACE/OFF, TITANIC and THE TRUMAN SHOW.

In seeking to maximize PARAMOUNT PICTURES' output while limiting its financial exposure, the Company has pursued a strategy of entering into agreements to distribute films produced and/or financed, in whole or in part, with other parties. The parties to these arrangements include studio and non-studio distributors, both foreign and domestic, as well as producers and other domestic or foreign investors. In various of these arrangements, the other parties control certain distribution and other ownership rights.

PARAMOUNT PICTURES generally distributes its motion pictures for theatrical release outside the U.S. and Canada through United International Pictures ("UIP"), a

company owned by the Company, MGM and Universal. PARAMOUNT PICTURES distributes its motion pictures on videocassette and disc in the U.S. and Canada through PARAMOUNT HOME VIDEO(R) and outside the U.S. and Canada, generally through Cinema International B.V., a joint venture of entities associated with the Company and Universal. PARAMOUNT PICTURES has an exclusive premium subscription television agreement with HBO for exhibition of PARAMOUNT PICTURES' new releases on U.S. premium subscription television, which includes new PARAMOUNT PICTURES motion pictures released theatrically through December 1997. PARAMOUNT PICTURES has licensed to SNI for exhibition on SHOWTIME and THE MOVIE CHANNEL the exclusive U.S. premium subscription television rights to up to 196 of PARAMOUNT PICTURES' feature films, commencing with feature films initially theatrically released in the U.S. during the period from 1998 through at least 2004, as well as 300 titles from its film library. PARAMOUNT PICTURES also distributes its motion pictures for premium subscription television release outside the U.S. and Canada and licenses its motion pictures to home and hotel/motel pay-per-view, airlines, schools and universities. During 1996, PARAMOUNT PICTURES entered into transactions with KirchGroup in Germany and with TCM Droits AudioVisuel S.N.C. and Television par Satellite in France for the licensing of its feature film and television programming output and libraries for free and pay television exploitation. SPELLING entered into a similar broad-based agreement with KirchGroup in 1996. KirchGroup has licensed PARAMOUNT PICTURES' and SPELLING's libraries for free and pay television, pay-per-view and near video on demand for the German language territory. KirchGroup had also licensed in the German language territory, certain rights to television mini-series, movies and series, and certain theatrical feature films. PARAMOUNT PICTURES, through various affiliates, is also a joint venture partner in HBO Pacific Partners C.V., Latin American Pay Television Service, VOF, Telecine Programacao de Filmes Ltda., Pay-TV Movies Australia and Star Channel, which are premium television services in Asia, Spanish-speaking Latin America, Brazil, Australia and Japan, respectively. UIP and United Cinemas International ("UCI", as described below) are the subject of governmental inquiries by the Commission of the European Community ("EC"). UIP has resolved all issues with the EC relating to its pay television operations in the European Union. Consistent with Paramount's and the other member studios' recent practices, the UIP member studios have agreed to license their pay television rights in the future without using the facilities of UIP. UIP Pay Television will continue to administer certain agreements that were previously entered into through UIP. The agreement regarding UIP's pay television operations is separate from the EC's evaluation of UIP's request to renew the exemption granted as of 1988 under the EC's rules covering UIP's theatrical distribution operations. That evaluation is ongoing.

In addition to premium subscription television, most motion pictures are also licensed for exhibition on broadcast and basic cable television, with fees generally collected in installments. All of the above license fees for television exhibition (including international and U.S. premium television and basic cable television) are recorded as revenue in the year that licensed films are available for such exhibition, which, among other reasons, may cause substantial fluctuation in PARAMOUNT PICTURES' operating results. At December 31, 1996, the unrecognized revenues attributable to such licensing of completed films from PARAMOUNT PICTURES' license agreements were approximately \$1.1 billion. PARAMOUNT PICTURES has approximately 900 motion pictures in its library.

Television Production and Syndication. The Company also produces, acquires and distributes series, miniseries, specials and made-for-television movies primarily for network television, first-run syndication, and basic cable television. The Company also owns approximately 75% of SPELLING, which includes SPELLING TELEVISION(TM), REPUBLIC PICTURES(TM), BIG TICKET TELEVISION(TM) and WORLDVISION ENTERPRISES(TM).

The Company's current network programming includes FRASIER, WINGS, LEEZA, SISTER, SISTER, JAG, DIAGNOSIS: MURDER, SABRINA THE TEENAGE WITCH, CLUELESS, FIRED UP, CRISIS CENTER and ORLEANS, and through SPELLING, BEVERLY HILLS 90210, MELROSE PLACE, SAVANNAH, SUNSET BEACH and SEVENTH HEAVEN. The Company also produces original programming for UPN, including STAR TREK: VOYAGER, THE SENTINEL and GOODE BEHAVIOR, and through SPELLING, MOESHA (see "Business -- Networks and Broadcasting -- United Paramount Network"). Generally, a network will license a specified number of episodes for exhibition on the network in the U.S. during the license period. All other distribution rights, including foreign and off-network syndication rights, are typically retained by the Company. The episodic license fee is normally less than the costs of producing each series episode; however, in many cases, the Company has been successful in obtaining international sales through its syndication operations. Foreign sales are generally concurrent with U.S. network runs. Generally, a series must have a network run of at least four years to be successfully sold in syndication.

The Company produces and/or distributes original television programming for first-run syndication which it sells directly to television stations in the U.S. on a market-by-market basis. The Company sells its programs to television stations for cash, advertising time or a combination of both. The Company's first-run syndicated programming includes such shows as STAR TREK: DEEP SPACE NINE, ENTERTAINMENT TONIGHT, HARD COPY, THE MAURY POVICH SHOW, THE MONTEL WILLIAMS SHOW, REAL TV and VIPER.

The Company also distributes its television programming to basic cable program services, including services in which the Company has an interest, such as USA NETWORK and MTVN in the U.S. PARAMOUNT PICTURES and NICKELODEON license programming to and operate THE PARAMOUNT CHANNEL in the U.K., a joint venture with BSkyB, which features comedies, dramas, light documentaries and films during the daypart following the NICKELODEON in the U.K. program segment. PARAMOUNT PICTURES is also a joint venture partner in and licenses programming to TV1 Australia, a basic cable channel in Australia.

The Company distributes or syndicates television series, feature films, made-for-television movies, miniseries and specials for television exhibition in domestic and/or international broadcast, cable and other marketplaces. Feature film and television properties distributed by the Company are produced by the Company and/or SPELLING or acquired from third parties. Third-party agreements for the acquisition of distribution rights are generally long-term and exclusive in nature; such agreements frequently guarantee a minimum recoupable advance payment to such third parties and generally provide for periodic payment to such third parties based on the amount of revenues derived from distribution activities after deduction of the Company's distribution fee, recoupment of distribution expenses and recoupment of any advance payments.

The recognition of revenues for license fees for completed television programming in syndication and on basic cable is similar to that of feature films exhibited on television and, consequently, operating results are subject to substantial fluctuation. At December 31, 1996, the unrecognized revenues attributable to television program license agreements were approximately \$589.8 million, of which approximately \$159.6 million was attributable to SPELLING.

Theatrical Exhibition. The Company's movie theater operations consist primarily of FAMOUS PLAYERS(R) in Canada, FILMS PARAMOUNT(TM) in Europe, UCI in Europe, Latin America and Asia and CINAMERICA(TM) in the Western U.S. UCI, a 50%-owned joint venture of entities associated with the Company and Universal, operates theaters in the U.K., Ireland, Germany, Austria, Spain, Japan, Portugal, Argentina and Panama. CINAMERICA, a 50%-owned joint venture of entities associated with the Company and Time Warner Inc., includes MANN(TM) Theaters, and operates 399 screens in 67 theaters in California, Colorado, Arizona and Alaska. FAMOUS PLAYERS(R), a 100%-owned subsidiary of the Company, operates 511 screens in 112 theaters across Canada.

Music Publishing. The FAMOUS MUSIC(R) publishing companies own, control and/or administer all or a portion of the copyright rights to more than 100,000 musical works (songs, scores, cues). These rights include the right to license and exploit such works, as well as the right to collect income generated by such licensing and exploitation.

The majority of rights acquired by FAMOUS MUSIC are derived from (a) music acquisition agreements entered into by PARAMOUNT PICTURES, MTVN and various other divisions of the Company respecting certain motion pictures, television programs and other properties produced by such units; and (b) music acquisition agreements entered into directly by FAMOUS MUSIC with songwriters and music publishers, including exclusive songwriting agreements, catalog purchases and administration agreements.

Video and Music/Theme Parks

The Company operates in the home video rental and retailing business and music retailing business through its BLOCKBUSTER ENTERTAINMENT GROUP ("BLOCKBUSTER").

Home Video Rental and Retailing. BLOCKBUSTER owns, operates and franchises videocassette rental and sales stores worldwide. Domestically, BLOCKBUSTER VIDEO(R) stores generally range in size from approximately 5,000 square feet to 15,000 square feet, averaging 6,100 square feet, and carry a comprehensive selection of prerecorded videocassettes. Internationally, BLOCKBUSTER VIDEO(R) stores are generally smaller, averaging 3,600 square feet but varying widely. The selection of prerecorded videocassettes available for rental and sale varies widely among international markets. BLOCKBUSTER offers titles primarily for rental and also offers titles for purchase on a "sell-through" basis (see "Business--Competition--Video"). During 1996, BLOCKBUSTER combined its domestic

video and music retail operations under a newly formed Domestic Retail Operations group. While the stores continue to be operated under different trade names, their separate operations, finance, marketing and product/merchandising departments have largely been consolidated. This consolidation is in furtherance of the Company's intention of offering a comprehensive array of personal entertainment products and services and related items in each of its retail outlets.

At December 31, 1996, there were 5,317 BLOCKBUSTER VIDEO stores operating worldwide, a net increase of 804 stores over December 31, 1995; there were 3,701 BLOCKBUSTER VIDEO stores operating throughout all 50 states, a net increase of 521 stores over December 31, 1995, 3,066 of which were owned by the Company and 635 of which were owned by franchisees; and there were 1,616 BLOCKBUSTER VIDEO stores operating in 24 foreign countries, a net increase of 283 stores over December 31, 1995, 1,364 of which were owned by the Company, 131 of which were owned by various joint ventures in which the Company is a partner and 121 of which were owned by franchisees.

No new franchises to develop, own and operate BLOCKBUSTER VIDEO stores were granted in 1996. During 1996, the Company entered into two new foreign markets and increased its participation in three previously franchised foreign markets.

During 1996, BLOCKBUSTER announced plans to relocate its headquarters to Dallas, Texas, and to construct a new 800,000 square foot facility in McKinney, Texas and implement a program to purchase virtually all product directly from the manufacturer and distribute that product directly to its stores. This new distribution facility will double BLOCKBUSTER's existing warehouse capabilities and is expected to be completed in late 1997.

The Company's home video business may be affected by a variety of factors, including but not limited to, general economic trends in the movie and home video industries, the quality of new release titles available for rental and sale, competition, marketing programs, weather, special or unusual events (e.g., 1996 Summer Olympics), changes in technology, and similar factors that may affect retailers in general. As compared to other months of the year, revenue from BLOCKBUSTER VIDEO stores in the U.S. has been, and the Company believes will continue to be, subject to decline during the months of April and May, due in part to the change to Daylight Savings Time, and during the months of October and November, due in part to the start of school and the introduction of new television programs.

Music Retailing. Through retail stores operating under the "BLOCKBUSTER MUSIC"(R) trade name and increasingly through BLOCKBUSTER's video stores, BLOCKBUSTER is among the largest retailers of prerecorded music in the U.S. At December 31, 1996, BLOCKBUSTER owned and operated 491 BLOCKBUSTER MUSIC stores in 33 states in the U.S. and four BLOCKBUSTER MUSIC stores in Australia. In addition, BLOCKBUSTER owns a 19.9% interest in a European music retail joint venture, which, as of December 31, 1996, operated 20 music stores throughout Europe under the "Virgin Megastores" tradename. In December 1996, BLOCKBUSTER announced its intention to close approximately 50 (or approximately 10%) of the BLOCKBUSTER MUSIC stores.

The Company's music business may be affected by a variety of factors, including but not limited to, general economic trends and conditions in the music industry, including the quality of new titles and artists, competition, marketing programs, changes in technology, and similar factors that may affect retailers in general. The Company's music business is seasonal, with higher than average monthly revenue experienced during the Thanksgiving and Christmas seasons, and lower than average monthly revenue experienced in September and October.

Theme Parks. The Company, through PARAMOUNT PARKS, owns and operates five regional theme parks and one water park in the U.S. and Canada: PARAMOUNT'S CAROWINDS(R), in Charlotte, North Carolina; PARAMOUNT'S GREAT AMERICA(TM), in Santa Clara, California; PARAMOUNT'S KINGS DOMINION(TM) located near Richmond, Virginia; PARAMOUNT'S KINGS ISLAND(TM) located near Cincinnati, Ohio; PARAMOUNT CANADA'S WONDERLAND(R) located near Toronto, Ontario; and RAGING WATERS(TM), located in San Jose, California. Each of the theme parks features attractions based on intellectual properties of the Company. Substantially all of the theme parks' operating income is generated from May through September; however, the profitability of the leisure-time industry is influenced by various factors which are not directly controllable, such as economic conditions, amount of available leisure time, oil and transportation prices, and weather patterns. PARAMOUNT PARKS and Las Vegas Hilton Corporation expect to launch STAR TREK: THE EXPERIENCE(TM) at the Las Vegas Hilton, a futuristic-themed, interactive environment in the summer of 1997.

Publishing

The Company, through the SIMON & SCHUSTER family of companies, publishes and distributes hardcover and paperback books, audiobooks, software (including CD-ROM products), educational textbooks, supplemental educational materials, multimedia curricula, and information and reference materials for consumers, schools, businesses and professionals. SIMON & SCHUSTER's flagship imprints include SIMON & SCHUSTER, POCKET(R) BOOKS, PRENTICE HALL, SILVER BURDETT GINN(R) and MACMILLAN(R) USA. SIMON & SCHUSTER distributes its products directly and through third parties. In 1996, SIMON & SCHUSTER also delivered content and sold products on Internet Web sites operated by various imprints or linked to individual titles.

SIMON & SCHUSTER is organized into four operating groups, consisting of the Education, Consumer, Reference, and International and Business & Professional Groups.

Education Group. The Education Group publishes college, elementary and secondary textbooks and related materials, computer-based educational and staff development products, audiovisual products and vocational and technical materials under such imprints as PRENTICE HALL, SILVER BURDETT GINN, GLOBE FEARON(TM), MODERN CURRICULUM PRESS(R), SIMON & SCHUSTER CUSTOM PUBLISHING and ALLYN & BACON(R), among others. The Education Group is composed of three operating units: Higher Education, K-12 Publishing (formed from

the merger of the Elementary and Secondary Groups in 1996), and Education Technology.

The Higher Education unit publishes titles in all major disciplines, at both the introductory and advanced levels. Increasingly, titles published by the Higher Education unit are packaged with CD-ROM software and linked to Internet Web sites. The K-12 Publishing unit offers textbook and related print materials as well as software and online educational materials in all major school subject areas. The Education Technology Group produces electronic instructional products and services, and includes the EDUCATIONAL MANAGEMENT GROUP(TM) unit, which broadcasts live interactive and customized television programming into classrooms via satellite, and COMPUTER CURRICULUM CORPORATION(TM), which delivers multiple media coursework to students. In 1996, SIMON & SCHUSTER acquired INVEST LEARNING (formerly Mergent Technologies Group), a company which offers software for the workplace skills and adult literacy market.

The educational marketplace is subject to seasonal fluctuations in its business which correlate to the traditional school year. Sales to elementary and secondary schools are dependent, in part, on the "adoption" or selection of instructional materials by designated state agencies. Approximately half the U.S. states and some localities regulate the purchase of textbooks through the textbook adoption process.

Consumer Group. The Consumer Group publishes and distributes hardcover, trade paperback, mass-market books, audiobooks and CD-ROM products under imprints including SIMON & SCHUSTER, POCKET BOOKS, SCRIBNER(R), and THE FREE PRESS(TM). Additionally, SIMON & SCHUSTER develops special imprints and publishes titles based on MTV, NICKELODEON and PARAMOUNT PICTURES products.

Fifty-five titles published by the Consumer Group in 1996 were New York Times bestsellers, including ten New York Times Number One bestsellers. Consumer titles released in 1996 include "Angela's Ashes" (Frank McCourt), "Blood Sport" (James B. Stewart), "The Choice" (Bob Woodward), "Harvest" (Tess Gerritsen), "It Takes a Village" (Hillary Rodham Clinton), "Moonlight Becomes You" (Mary Higgins Clark), "My Story" (Sarah, the Duchess of York), and "Undaunted Courage" (Stephen Ambrose).

The Company publishes audiobooks through SIMON & SCHUSTER AUDIO(TM) and publishes consumer CD-ROM titles through SIMON & SCHUSTER INTERACTIVE(TM). Titles published by SIMON & SCHUSTER INTERACTIVE generally consist of CD-ROM product extensions of well known book publishing properties or titles associated with recognized authors, including such 1996 titles as "Star Trek: Borg", "Tom Clancy SSN" and "Richard Scarry's Best Reading Program Ever". SIMON & SCHUSTER ONLINE(TM), through "SimonSays.com", publishes original content, builds reader communities, and promotes and sells the Consumer Group's books and products over the Internet.

The consumer marketplace is subject to increased periods of demand in the summer months and during the end-of-year holiday season.

Reference Group. The Reference Group, operating as MACMILLAN PUBLISHING USA, publishes for the consumer and library markets through its MACMILLAN COMPUTER PUBLISHING USA(TM), MACMILLAN REFERENCE USA(TM) and MACMILLAN DIGITAL PUBLISHING USA(TM) units.

MACMILLAN COMPUTER PUBLISHING USA ("MCP") published approximately 600 titles in 1996, of which approximately two-thirds were either packaged with a CD-ROM or other software, or linked to Web sites on the Internet. MCP also published original content over the Internet through the MACMILLAN INFORMATION SUPERLIBRARY(TM) Web site. In 1996, SIMON & SCHUSTER acquired THE WAITE GROUP(R), a publisher of titles on computer programming languages and emerging technologies. Other well-known imprints of MCP include QUE(R), SAMS(R), HAYDEN BOOKS(TM), NEW RIDERS(TM) and ZIFF-DAVIS PRESS.

MACMILLAN REFERENCE USA is the publisher of such well-known consumer reference series as Frommer's(R) and Unofficial Guide(R) travel guides, J.K. Lasser(TM) tax guides, Betty Crocker(R) and Weight Watchers(R) cookbooks, Arco(TM) test preparation guides, Howell Book House(TM) pet books, Burpee(R) gardening books and Thorndike(R) large print books. MACMILLAN REFERENCE USA also publishes library reference materials, including multivolume academic encyclopedias, many through its CHARLES SCRIBNER'S SONS(R) imprints. MACMILLAN DIGITAL PUBLISHING is the software and online division that publishes electronic products based primarily on the MACMILLAN PUBLISHING USA library.

International and Business & Professional Publishing Group. Through a wide variety of imprints, the International and Business & Professional Group publishes and distributes books and other materials in the international marketplace, and offers business, professional training, vocational, medical and healthcare information and human resources management products and related services, including books, newsletters, journals, seminars, videos, loose-leaf series and multimedia programs. Operating units include PRENTICE HALL INTERNATIONAL(R), THE NEW YORK INSTITUTE OF FINANCE(TM), APPLETON & LANGE(R), JOSSEY-BASS(TM), THE BUREAU OF BUSINESS PRACTICE(TM), PRENTICE-HALL DIRECT(R), and MASTER DATA CENTER(TM).

International publishing consists of the international distribution of English-language titles as well as the publication of non-English language titles and local translations and adaptations of U.S. titles. The Group, primarily through PRENTICE-HALL INTERNATIONAL, distributes English-language books, software and multimedia titles worldwide in more than 150 countries through a 25,000-title catalog handled by sales offices and subsidiaries in 43 countries. Over 1,400 titles were published indigenously by the International and Business & Professional Group in 1996. The Group expects to publish books in 11 languages and 20 countries outside North America in 1997, primarily in the areas of academic, computer, English language training, vocational training, and professional publishing. The Group also maintains co-publishing partnerships in approximately 14 countries including Japan (Toppan and Impress) and the People's Republic of China, where the operations include the co-publishing of computer books through six local partnerships and the distribution of U.S.

products. S&S MACMILLAN (France), a computer book publishing unit formed in 1995, published over 120 titles in its first full year of operation.

In 1996, THE NEW YORK INSTITUTE OF FINANCE, through a joint venture, began developing a worldwide financial training business based in Singapore. Also in 1996, the Group acquired the human resources development materials titles of PFEIFFER AND COMPANY(TM), now an imprint of JOSSEY-BASS.

Discontinued Operations

Cable Television. On July 31, 1996, the Company completed the split-off of a subsidiary that held its cable television systems to its shareholders pursuant to an exchange offer and related transactions.

Radio. On February 16, 1997, the Company entered into an agreement to sell its ten radio stations to Evergreen Media Corporation of Los Angeles for \$1.075 billion. This sale is expected to be completed in the summer of 1997, subject to customary closing conditions and regulatory approvals. The Company's radio stations are: WLTW-FM (Adult Contemporary) and WAXQ-FM (Classic Rock), each serving New York, New York; KYSR-FM and KIBB-FM, each serving Los Angeles, California (Adult Contemporary); WLIT-FM, serving Chicago, Illinois (Adult Contemporary); WDRQ-FM, serving Detroit, Michigan (Rhythmic Adult Contemporary); and WMZQ-FM (Country), WJZW-FM (Jazz), WBZS-AM (Business Talk) and WZHF-AM (Health and Fitness Talk), each serving Washington, D.C. On July 31, 1996, the Company exchanged KBSG-AM/FM and KNDD-FM, serving Seattle, Washington, for WAXQ-FM.

Interactive Games. On February 19, 1997, SPELLING approved a formal plan to sell VIRGIN INTERACTIVE ENTERTAINMENT LIMITED ("VIRGIN INTERACTIVE") through a public offering. On the same date, the Company adopted a plan to dispose of its interactive game businesses, including VIACOM NEW MEDIA(R), which is operated by VIRGIN INTERACTIVE under a services agreement entered into during September 1996. The disposition is expected to be completed by the end of 1997. Each of VIRGIN INTERACTIVE and VIACOM NEW MEDIA develops and publishes interactive entertainment software for personal computers and video game consoles on a wide variety of platforms. In 1996, VIRGIN INTERACTIVE released 94 titles, some of which were released for multiple platforms; the titles represent 119 stock keeping units ("sku's"; a title in each platform is a distinct sku). VIRGIN INTERACTIVE distributes video games in approximately 30 countries. In 1996, VIACOM NEW MEDIA released ten titles, some of which were released for multiple platforms; the titles represent 12 sku's.

Intellectual Property

It is the Company's practice to protect its theatrical and television product, software, publications and its other original and acquired works. The following logos and trademarks are among those strongly identified with the product lines they represent and are significant assets of the Company: VIACOM(R), the BLOCKBUSTER(R) family of marks, MACMILLAN(R), the MTV: MUSIC TELEVISION(R) family of marks, THE MOVIE CHANNEL(TM), NICK AT NITE(R) and the NICKELODEON(R)

family of marks, NICK AT NITE'S TV LAND(TM), the PARAMOUNT(R) family of marks, POCKET BOOKS(TM), SIMON & SCHUSTER(R), SHOWTIME(R), the STAR TREK(R) family of marks and the VH1 MUSIC FIRST(TM) family of marks.

Competition

Networks

MTVN. MTVN services are in competition for available channel space on cable systems and for fees from cable operators and other multichannel distributors, with other cable program services, and nationally distributed and local independent television stations. MTVN also competes for advertising revenue with other cable and broadcast television networks, and radio and print media. For basic cable television networks such as the MTVN services, advertising revenues derived by each program service depend on the number of households subscribing to the service through local cable operators and other distributors in addition to household and demographic viewership as determined by research companies such as A.C. Nielsen. (See "Business--Competition--Entertainment")

Certain major record companies have launched music-based program services outside the U.S., including but not limited to: Channel V, which is jointly owned and operated in Asia by Star TV and four major record labels; and Viva and Viva 2, German-language music channels distributed in Germany and owned in large part by four major record labels. In addition, MuchMusic, a music service which originated in Canada, is distributing a MuchMusic service customized for the Latin American market in Mexico and Argentina, and commenced U.S. distribution in the spring of 1995.

Children's oriented programming blocks are currently exhibited on a number of U.S. broadcast television networks, including, among others, "Fox Kids", "Kids' WB" and a Saturday morning block on ABC, which directly compete with NICKELODEON for advertising revenue. There are also a number of other U.S. cable television program services featuring children's oriented programming, including The Cartoon Network and the Disney Channel. In addition, internationally, NICKELODEON also directly competes with other television programming services and blocks targeted at children for distribution by cable, satellite and other systems, and for distribution license fees and advertising revenue.

SNI. Competition among premium subscription television program services in the U.S. is primarily dependent on: (1) the acquisition and packaging of an adequate number of recently released quality motion pictures; and (2) the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage and so as to favorably position and package SNI's premium subscription television program services to subscribers. HBO is the dominant company in the U.S. premium subscription television category, offering two premium subscription television program services, the HBO service and Cinemax. SNI is second to HBO with a significantly smaller share of the premium subscription television category. In addition, Encore Media Corp. (an affiliate of Tele-Communications, Inc.) launched Starz! in 1994, a premium subscription television program service featuring recently released motion pictures, in competition with SNI's and HBO's premium program

services. Since its launch, Starz!, which had initially received distribution primarily on cable systems owned and/or managed by Tele-Communications, Inc., is now also carried on cable systems owned or managed by others and on two significant DBS platforms.

Broadcasting

The principal method of competition in broadcast television is the development of audience interest through programming and promotions. The Company's expansion strategy has been to seek to acquire UPN affiliates or independent stations which will become primary affiliates of UPN. At this time, UPN has limited programming. Therefore, with respect to the Company's current UPN affiliated stations, and, to the extent that the Company acquires independent stations, there will be a need for those stations to acquire additional programming to a greater extent than would otherwise be required if the stations were affiliated with other, more established networks. Television and radio stations compete for advertising revenues with other stations in their respective coverage areas as well as with all other advertising media. Generally, technological advances with respect to the methods of providing home entertainment alternatives and changing regulatory policies with respect to the broadcast industry may have an impact upon broadcasting's future competitive environment. In addition, the Telecommunications Act of 1996 (the "1996 Telecommunications Act") which amended the Communications Act liberalized television station ownership limits and allows for increased group ownership or control of stations measured on a national market basis (see "Business--Regulation--Broadcasting"). The Company is unable to predict what impact these changes will have on its businesses in each applicable market.

Entertainment

The Company competes intensely with other major studios and independent film producers in the production and distribution of motion pictures and videocassettes. Similarly, as a producer and distributor of television programs, the Company competes with other studios and independent producers in the licensing of television programs to both networks and independent television stations. PARAMOUNT PICTURES' competitive position primarily depends on the quality of the product produced, public response and cost. The Company also competes to obtain creative talents and story properties which are essential to the success of all of the Company's entertainment businesses.

Corporate mergers consummated in recent years have resulted in greater consolidation in the entertainment and media industries, which may also present significant competitive challenges to several of the Company's businesses, including its theatrical motion picture division and its basic and premium subscription program services.

Video Retail

The home video retail business is highly competitive. The Company believes that the principal competitive factors in the business are title selection, number of copies of titles available, the quality of customer service and pricing. The Company believes that the success of its business depends in part on its large and attractive Company-owned and franchise-owned BLOCKBUSTER VIDEO stores offering a wider selection of titles and larger and more accessible inventory than most of its competitors, in addition to more convenient store locations, faster and more efficient computerized check-in/check-out procedures, extended operating hours, effective customer service and competitive pricing.

Home video companies and distributors from time to time offer titles at a price substantially lower than the range in which titles are ordinarily priced to home video retailers. These titles, known as "sell-through" titles because their lower wholesale price is intended to increase the number of copies sold by retailers, consist primarily of successful children's movies and other movies that have unique characteristics or other mass ownership appeal. BLOCKBUSTER offers these titles both for rental and sale in its stores. The competition for sales of these titles is greater than "rental-priced products" due to the participation in this market of mass merchants, grocery stores and other retailers not engaged in the business of renting videocassettes.

In the retail rental marketplace, the Company and its franchise owners compete with other national and regional video rental chains, local video rental stores, grocery stores and several other retailers engaged in the rental of videocassettes. The Company and its franchise owners also compete generally with other feature film distribution media, such as movie theaters and broadcast, cable and DBS television.

A significant competitive advantage that the Company and its franchisees (and all other video retail outlets) currently enjoy over broadcast, cable and DBS television is a limited exclusive distribution "window" that occurs soon after a film's theatrical release. Generally, after the initial domestic theatrical exhibition of a film, studios make the films available to video rental outlets on an exclusive basis for a period of time. The length of this period, however, varies based upon a number of factors including, but not limited to, the box office success of the film and license fee commitments made by pay-per-view distributors, premium subscription program services and broadcast networks to exhibit the film in such alternative windows. While the Company believes that the economic advantages to motion picture distributors of the home video market favor continuation of present practices regarding windowing, there can be no assurances that the studios will not alter the home video window due to new methods of distribution or other factors.

A number of consumer electronics companies have announced plans to introduce "digital versatile disc" or "DVD" players into the marketplace during 1997. This new digital technology is an alternative to the videocassette recorder ("VCR") in that it permits the owner to view prerecorded filmed entertainment on a standard television set and is being promoted as offering better audio and video capabilities than a VCR. The DVD players, however, do not accept videocassettes; they only play a newly developed disc, similar in size and shape to a compact disc or a CD-ROM. It is unclear at this time how many new releases and older titles will be made available in this new format. In addition, the initial DVD players, unlike VCRs, will not have recording capabilities. Given these issues, the Company is unable to determine

whether this new format will gain significant consumer acceptance generally or among the Company's customers. As a result, the Company is unable to determine the impact, if any, this new format will have on the Company's business. Once such technology is introduced, the Company will monitor its acceptance by the market and endeavor to exploit this new medium, both in the rental and sale of DVD titles.

Music Retail

In recent years, competition among music retailers has intensified greatly with the significant expansion of the importance of mass merchants in the business. A number of these retail chains have significantly reduced their prices on prerecorded music products (primarily new releases) to attract customers into their stores and generate sales of other higher margin products. As a result of this competition, the Company has been required to lower the prices at which it sells many of its products, resulting in lower revenue and reduced profit margins. Some of these chains, including the Company, have begun closing unprofitable stores in an attempt to minimize operating losses while others have declared bankruptcy. The intense competition in the industry coupled with a generally soft overall retail environment during 1996 also negatively affected many of the mass merchants.

Theme Parks

The Company's theme parks compete directly with other theme parks in their respective geographic regions as well as generally with other forms of leisure entertainment. The Company believes that its intellectual properties enhance existing attractions and facilitate the development of new attractions to encourage visitors to the PARAMOUNT PARKS theme parks and water park.

Publishing

The publishing business is highly competitive. Consumer and reference publishing are affected by well-publicized trends in the retail bookselling business, including the emergence of the book superstore and the trend toward consolidation of the retail channel in general. In certain segments of publishing, particularly in the consumer area, books are sold on a fully returnable basis, resulting in significant product returns. The Company also competes with other publishers for the rights to works by well-known authors and public personalities.

In elementary and secondary educational publishing, approximately one-half of the U.S. states and some local jurisdictions regulate the purchase of textbooks with state funds through formal textbook adoption procedures administered by state authorities. The Education Group faces considerable competition from other education publishers to have its textbooks selected. Further, significant investment is required to develop new textbooks and to update existing ones. Sales of elementary and secondary school textbooks are subject to federal, state and local education funding and local enrollment levels. In higher education publishing, sales of new textbooks are affected by the availability of used textbooks for purchase, as well as competition from other publishers. In business and professional publishing, there are numerous organizations that provide competitive materials and services. International publishing is subject to global trends, including the consolidation of the European markets.

Regulation

The Company's businesses are either subject to or affected by regulations of federal, state and local governmental authorities. The rules, regulations, policies and procedures affecting these businesses are constantly subject to change. The descriptions which follow are summaries and should be read in conjunction with the texts of the statutes, rules and regulations described herein. The descriptions do not purport to describe all present and proposed statutes, rules and regulations affecting the Company's businesses.

Intellectual Property

The Company conducts many of its businesses through the control and exploitation of the numerous copyrights and trademarks underlying its products and licenses; therefore, domestic and international laws affecting intellectual property have significant importance to the Company.

WIPO Copyright Treaties. On December 20, 1996, delegates from countries belonging to the World Intellectual Property Organization ("WIPO") adopted two proposed treaties: a Copyright Treaty and a Performers and Phonograms Treaty. The treaties take effect, if ratified by 30 nations, within the next two years. The delegates from the U.S., as well as those from virtually every other country where the Company engages in business, supported adoption of the treaties.

The proposed Copyright Treaty updates the Berne Convention, last revised in 1971, and addresses copyright protection with respect to new technologies that have emerged since that time. Because it is not possible to predict whether the Copyright Treaty will take effect, how many or which countries will ratify the Treaty, or how such countries would implement the Treaty after ratification, it is impossible to predict what impact the Treaty will have on the Company. If the U.S. decides to ratify the Copyright Treaty, some modest changes may be required in U.S. copyright law which would not be expected to have any adverse effect on the Company. The Performers and Phonogram Treaty covers the rights of audio performers and producers of sound recordings; however, this Treaty is not expected to have any material effect on the Company if it is ratified.

National Information Infrastructure Copyright Legislation. In September 1995, the Executive Branch proposed legislation to amend the Copyright Act of 1976 (the "Copyright Act") in several ways, including adding a provision to prohibit the sale of devices whose primary purpose or effect is to circumvent anti-copying technologies and a provision to prohibit the dissemination of false copyright management information. Hearings on this bill were held in both the Senate and the House. This legislation has not yet been re-introduced in the 105th Congress. The Company cannot predict whether or in what form such legislation will be enacted into law, or what impact there would be on the Company.

Copyright Term Extension. The Senate Committee on the Judiciary approved legislation in summer 1996 to extend the term of copyright by 20 years and the 105th Congress is currently considering such legislation. Term extension, if approved, would have little effect on the Company in the near term, but could have a small beneficial effect over time.

Compulsory Copyright. Multichannel video distributors such as cable television, SMATV, MMDS and DTH systems are each subject to the Copyright Act which provides a compulsory license for retransmission of "distant" broadcast signals at prescribed rates (the proceeds are divided among the various copyright holders of the programs carried on distant broadcast signals). No license fee is payable to any program copyright holder for retransmission of broadcast signals which are "local" to the communities served by a cable, SMATV or MMDS system. DTH systems currently have no compulsory copyright to retransmit local broadcast signals to subscribers living in communities served by the broadcast signal. It is expected that a rulemaking now underway at the U.S. Copyright Office will determine that "open video systems" under the 1996 Telecommunications Act will also be subject to the compulsory license.

The compulsory license rate for cable, MMDS and SMATV systems is statutorily set while the fees for DTH service are set through negotiations and binding arbitration, taking into account fair market value of the signals.

The DTH compulsory license is scheduled to end in December 1999 and at some point Congress is expected to authorize an extension of the compulsory license for DTH services. Congress may also consider authorizing a DTH compulsory license for programs on local (rather than distant) broadcast signals which the DTH operator would pick up and transmit back to DTH subscribers in the local area served by a broadcast station. It is impossible to predict at this time what changes will be adopted by Congress or what their impact might be.

First Sale Doctrine. The "First Sale" provision of the Copyright Act provides that the owner of a legitimate copy of a copyrighted work may rent or otherwise use or dispose of that copy in such a manner as the owner sees fit. The First Sale doctrine does not apply to sound recordings or computer software (other than software made for a limited purpose computer, such as a video game platform) for which the Copyright Act vests a rental right (i.e., the right to control the rental of the copy) in the copyright holder. The repeal or limitation of the First Sale doctrine (or conversely, the creation of a rental right vested in the copyright holder) for audiovisual works or for computer software made for limited purpose computers would have an adverse impact on the Company's home video business; however, no such legislation is pending in Congress at the present time.

Networks and Broadcasting

Networks

Communications Act; 1996 Telecommunications Act. The Communications Act sets forth the framework under which broadcast television networks and cable television systems are regulated. On February 8, 1996, the 1996 Telecommunications Act was enacted as an amendment to the Communications Act.

Among other items, the 1996 Telecommunications Act authorizes entry of electric utilities and telephone companies into the multichannel video distribution business. As a result, regional Bell companies, their subsidiaries and affiliates can now enter the cable distribution business in their own service areas. The Company cannot predict the impact of this legislation, although it anticipates that its program services could benefit from increased distribution opportunities afforded by meaningful telephone company entry into multichannel video distribution. Such entry has yet to occur except in limited geographic areas.

A number of other aspects of the Communications Act may have indirect and limited effects on the Company's cable networks, but the Company is unable to predict what the impact would be.

Broadcasting

Television and radio broadcasting are subject to the jurisdiction of the FCC pursuant to the Communications Act.

The Communications Act. The Communications Act authorizes the FCC to issue, renew, revoke or modify broadcast licenses; to regulate the radio frequency, operating power and location of stations; to approve the transmitting equipment used by stations; to adopt rules and regulations necessary to carry out the provisions of the Communications Act; and to impose certain penalties for violations of the Communications Act and the FCC's regulations governing the day-to-day operations of television and radio stations.

Broadcast Licenses. Unless the FCC finds that doing so would not be in the public interest, it will grant broadcast station licenses (both television and radio) for maximum periods of eight years. Upon application to and approval of the FCC, the licenses are renewable for an indefinite number of additional eight-year periods.

A licensee can ordinarily expect renewal of its license if the licensee has served the public interest and has not seriously violated the Communications Act or FCC rules. The FCC decides what factors are relevant to whether a broadcaster has "served the public interest." In addition to the broadcaster's record of providing news, public affairs, and other informational programming, the FCC also reviews a licensee's children's programming relevant to television renewals. Beginning in September 1997, licensees are generally required to program at least three hours per week of "core" children's programming on a regularly scheduled basis.

A license which has expired but is awaiting renewal entitles the licensee to continue broadcasting pending the renewal. The status of the Company's television stations' licenses is as follows: WDCA-TV expired on October 1, 1996 and has been renewed; WTOG-TV expired on February 1, 1997 and has been renewed; WBFS-TV expired on February 1, 1997 and is pending renewal; WUPA-TV will expire on April 1, 1997; WPSG-TV on August 1, 1999; WKBD-TV on October 1, 1997; KMOV-TV on February 1, 1998; each of KTXA-TV and KTXH-TV on August 1, 1998; and each of WVIT-TV and WSBK-TV on April 1, 1999. The Company expects the license pending renewal (as well as licenses

which are scheduled to expire in the future) to be renewed. In connection with the Company's sale of its radio stations, applications for transfer of the radio stations' licenses have been filed with the FCC and are expected to be granted during the summer of 1997.

The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC. Additionally, the Communications Act provides that no license may be held by a corporation if more than 20% of the voting stock is owned of record or voted by aliens or is subject to control by aliens. In addition, no corporation may hold the voting stock of another corporation owning broadcast licenses if more than 25% of the voting stock of such parent corporation is owned of record or voted by aliens or is subject to control by aliens, unless specific FCC authorization is obtained.

Broadcast signals are presently transmitted in analog rather than digital form. The FCC is proposing to allot to broadcasters additional spectrum in new, digital transmission modes and, pursuant to the 1996 Telecommunications Act, will permit broadcasters to utilize the digitally transmitted signals for various purposes including for additional channels of programming and services "ancillary and supplemental" to broadcasting. Full conversion from analog to digital mode is expected to occur over the course of a transition period yet to be determined but expected to be between eight and fifteen years. Until such transition is complete, broadcasters are expected to be licensed to transmit on two channels, one for carriage of the analog signal and the second for carriage of the digital signal, which can be used to transmit either a single "high definition" channel of video programming or, alternatively, up to six different channels carrying either an enhanced (although not "high definition") broadcast signal or the aforesaid ancillary and supplemental services (e.g., data transmissions or subscription video services). The Communications Act requires that if separate analog and digital channels are used transitionally, one of the two channels used during the transition period must eventually be returned to the government; however, the Act does not establish a time frame for return of the channel nor specify which of the two channels (i.e., the analog or digital channel) must be returned. A licensee that retains the analog channel would be required to convert such channel to digital after the transition period. To the extent digital spectrum is used for any service which generates subscription or usage fees, a broadcaster must pay the government, at a rate to be determined by the FCC, for use of the spectrum.

Despite these provisions of the 1996 Telecommunications Act, Congress may yet consider the issue of whether the additional spectrum authorized for broadcasters should be auctioned to the highest bidder (either broadcasters or other users) rather than allotted to incumbent broadcasters without charge. Congress may also consider whether to require broadcasters, should they be allotted the spectrum, to convert to full digital transmission within a specified period of time so that returned channels could then be auctioned to other users not later than a designated date. Certain FCC commissioners have recently stated that they would like to mandate a relatively fast adoption of digital technology by broadcasters in order to accelerate the transition from analog. The Clinton Administration has suggested a date in the year 2005 for return of the second channel. A spectrum auction or a short-term analog-to-digital transition period could have an adverse effect on the business of broadcasting.

As part of its plan to convert to digital transmission, the FCC has proposed a "table of allotments" which would assign, among other things, frequencies and power allocations for all stations during the transition period and thereafter. Interested parties have proposed alternative tables of allotments which are currently being reviewed by the FCC.

Must Carry/Retransmission Consent. The Communications Act contains provisions which grant certain "must carry" rights to educational and commercial broadcast television stations that are "local" to communities served by multichannel distributors such as cable systems and SMATV systems. Commercial stations have the additional right to elect either to require a multichannel distributor to carry the station pursuant to the must carry provisions of the Act or to require that the cable operator secure the station's "retransmission consent" on a negotiated basis before the station can be carried (i.e., retransmitted) on the cable system. All of the Company's television stations are carried on cable systems serving the communities in the stations' markets. Certain of the stations obtained carriage by asserting must carry rights and other stations granted retransmission consent. Failure to be carried on cable systems could be detrimental to the business of a television station. The application of must carry requirements to additional services which a broadcaster might transmit over the digital spectrum is to be decided by the FCC except that the 1996 Telecommunications Act expressly provides that any "ancillary and supplementary" services provided by broadcasters in that spectrum will not be entitled to mandatory cable carriage. The must carry rules have been challenged by cable program services and cable system operators. In April 1993, a District of Columbia three-judge court upheld the rules against a First Amendment challenge. In June 1994, the U.S. Supreme Court held that the rules were content-neutral and not unconstitutional on their face, but nevertheless vacated the District Court's decision and remanded the case back to the District Court for determination of the impact of such rules on the broadcast and cable industries. On December 13, 1995, the District Court again upheld the rules in a two-to-one decision. This decision has been appealed to the U.S. Supreme Court, which has heard arguments on the issue and has taken it under advisement. A decision is expected in the spring of 1997.

Restrictions on Broadcast Advertising. In the past, committees of Congress examined proposals that would eliminate or severely restrict advertising of beer and wine either through direct restrictions on content or through elimination or reduction of the deductibility of expenses for such advertising under federal tax laws. Such proposals generated substantial opposition. It is possible that similar proposals will be considered in Congress, particularly in view of the fact that certain broadcasters and cable networks have recently begun to advertise distilled spirits after a self-imposed, long-term ban on the airing of such ads. The elimination of all beer and wine advertising would have an adverse effect on the revenues of the Company's television stations.

Ownership Limitations. The Communications Act limits the maximum number of television stations nationwide in which one entity can have an "attributable interest" to that number which serves no more than 35% of U.S. television households. (FCC rules count only one-half of the households in a market when determining the household reach of stations which broadcast on a UHF frequency but this "discount" rule will be revisited by the FCC in 1998). Subject to waiver, the FCC currently

prohibits a single entity from owning more than one television station serving the same market or two or more stations which have overlapping signals with a certain strength. The FCC is currently considering the definition of "market" for these purposes and is expected to permit certain previously proscribed overlaps at the conclusion of the review process. The FCC also permits radio and television stations to lease the programming and sales inventories of their stations to other stations ("Local Marketing Agreements" or "LMAs"), subject to various restrictions, so long as ultimate operational control and ownership are retained and exercised by the licensee. Such agreements function, as a practical matter, to effect a consolidation of competitive broadcast stations in much the same manner as would multiple ownership of facilities by one entity. LMAs among television stations are not currently subject to explicit FCC regulations. It is expected that television LMAs will be subject to explicit rules at the conclusion of the FCC's current ownership rulemaking proceedings. The 1996 Telecommunications Act requires the FCC to review all of its ownership rules every two years and modify or repeal those that no longer serve the public interest.

The FCC's ownership limitations also preclude (except on a grandfathered basis) common ownership in the same market of (i) television stations and cable systems; (ii) television or radio stations and daily newspapers of general circulation; and (iii) radio and television stations. All such restrictions are subject to waiver by the FCC on a case-by-case basis and radio-television cross-ownership prohibitions in particular are routinely granted in the major television markets so long as at least 30 separately owned and operated radio and television stations serve the market. When the Company acquired majority ownership of Paramount Communications on March 11, 1994, the Company obtained ownership of television station WDCB, serving Washington, D.C., in which market the Company was already operating, and currently operates, two AM and two FM stations. Pursuant to the FCC's order consenting to the transfer of control of the broadcast licenses of Paramount Communications to the Company, the Company became obligated to dispose of one AM and one FM radio station serving Washington, D.C. The Company requested a continued waiver of this obligation from the FCC until such time as the FCC completes its pending review of local ownership limitations.

Entertainment

The Company's first-run, network and other production operations and its distribution of off-network, first-run and other programs in domestic and foreign syndication are not directly regulated by legislation. However, existing and proposed rules and regulations of the FCC applicable to broadcast networks, individual broadcast stations and cable could affect the Company's entertainment businesses.

Antitrust. The Company, through PARAMOUNT PICTURES, is subject to a consent decree, entered in 1948, which contains restrictions on certain motion picture trade practices in the U.S.

European Union Directive. In October 1989, the European Union ("EU", then the EC and sometimes referred to as the EC) directed each of the 12 European Community member countries to adopt broadcast quota regulations based on its guidelines by October 3, 1991. In March 1995, the Executive Commission of the EU approved revisions to the directive which would, if adopted, increase the discrimination

against non-European programming. The EU Council of Ministers modified the proposed revisions in November 1995. In February 1996, the European Parliament recommended further modifications, which are now being considered by both the Executive Commission and the Council of Ministers. At this time, it is impossible to predict what changes will be adopted by the EU, or to predict their impact on the Company's television syndication business. The Company believes that its program services in Europe are in compliance with the EU broadcast quotas.

Video and Music Distribution

Franchising. Certain states, the United States Federal Trade Commission and certain foreign jurisdictions require a franchiser to transmit specified disclosure statements to potential owners before issuing a franchise. Additionally, some states and foreign jurisdictions require the franchiser to register its franchise before its issuance. The Company believes the offering circulars used to market its franchises comply with the Federal Trade Commission guidelines and all applicable laws of states in the United States and foreign jurisdictions regulating the offering and issuance of franchises. The Company's home video and music retailing businesses, other than the franchising aspect, are not generally subject to any government regulation other than customary laws and local zoning and permit requirements.

Item 2. Properties.

The Company maintains its world headquarters at 1515 Broadway, New York, New York, where it rents approximately one million square feet for executive offices and certain of its operating divisions. The lease runs to 2010, with four renewal options for five years each. The lease also grants the Company options for additional space and a right of first negotiation for other available space in the building. The Company also leases approximately 494,000 square feet of office space at 1633 Broadway, New York, New York, which lease runs to 2010, and approximately 237,000 square feet of office space at 1230 Avenue of the Americas, New York, New York, which lease runs to 2009, which leases contain options to renew. The Company owns the PARAMOUNT PICTURES studio at 5555 Melrose Avenue, Los Angeles, California, which consists of approximately 65 acres containing sound stages, administrative, technical and dressing room structures, screening theaters, machinery and equipment facilities, plus a back lot and parking lots. PARAMOUNT PARKS' operations in the U.S. include approximately 1,800 acres owned and 220 acres leased and in Canada include approximately 380 acres owned. The Company owns the Blockbuster Entertainment Group currently headquartered at 200 South Andrews Avenue, Fort Lauderdale, Florida, which consists of approximately 148,000 square feet of office space, supplemented by another approximately 120,000 square feet of leased office space at 110 East Broward Avenue and 100 East Broward Avenue, Fort Lauderdale, Florida and approximately 210,000 square feet of future headquarters office space at 1201 Elm Street, Dallas, Texas. The BLOCKBUSTER retail and distribution operations in the U.S. and Canada consist of approximately 56 owned properties, aggregating approximately 361,000 square feet, and approximately 3,803 leased locations, aggregating approximately 25.4 million square feet. Facilities within the Publishing segment (other than executive offices at 1230 Avenue of the Americas described above) include approximately 6,543,000 square feet of space, of which approximately 4,067,000 square feet are leased. The facilities are used for warehouse, distribution and administrative functions.

The Company also owns and leases office, studio, retail and warehouse space in various cities in the U.S., Canada and several countries around the world for its businesses. The Company considers its properties adequate for its present needs.

Item 3. Legal Proceedings.

On September 27, 1994, an action entitled Murphy, et al. v. Blockbuster Entertainment Corporation, et al. (Cause No. 94-10051-M) was filed in the District Court in and for Dallas County, Texas, alleging breach of fiduciary duty, conspiracy, fraud, breach of contract, tortious interference with contract and claims under Texas partnership law against defendants which include Blockbuster Entertainment Corporation (which has been merged into the Company) and a limited partnership that had been dissolved into a Company subsidiary. The action which seeks in excess of \$750 million in actual and in excess of \$1 billion in punitive damages was brought following the entry of judgment for approximately \$123 million including \$108 million in punitive damages in a prior action commenced by the limited partner of the Murphy plaintiffs (the "Howell action").

The Howell action was settled in December 1995. The settlement involved the vacation of the judgment and withdrawal of all the court's findings of facts and conclusions of law and a stipulation by the Murphy plaintiffs that they will make no use of the Howell judgment or findings of facts or conclusions of law in their action. On defendants' motion for summary judgment, all the Murphy plaintiffs' claims except for breach of fiduciary duty, conspiracy to breach fiduciary duty and for an accounting were dismissed. Trial is presently scheduled for May, 1997.

The Company believes that it has substantial defenses to these claims, including, among others, that the claims are barred by the statute of limitations and by releases entered into by the plaintiffs or their predecessors, and intends to vigorously defend the claims. (While the Company maintained that certain of these defenses were also available in the Howell litigation, significantly stronger facts support their application in this litigation.) In addition, the Murphy plaintiffs have stipulated that they will make no use of the Howell judgment or findings of fact or conclusions of law in their action.

On April 29, 1996, an action (the "Universal Action") was filed entitled MCA Inc. v. Viacom Inc., et al., C.A. No. 14971 in the Court of Chancery of the State of Delaware against the Company and Viacom International Inc. and Eighth Century Corp., two subsidiaries of the Company, alleging various breaches of contract and fiduciary duties relating to the USA Networks joint venture between Eighth Century Corp. and Universal (formerly known as MCA). On that same day, the Company commenced an action (the "Viacom Action"; C.A. No 14973) in that same court entitled Viacom Inc. and Eighth Century Corporation v. The Seagram Company Ltd, MCA and Universal City Studios Inc., alleging, inter alia, that the Universal defendants were improperly seeking to force the Company to sell its 50% interest in the USA Networks joint venture to Universal at an unfairly low price.

The Universal action seeks damages, an accounting and injunctive relief, including, specific performance of a noncompetition provision such that the Company would be unable to own both USA Networks and other domestic advertiser-supported basic cable entertainment networks, such as those operated by MTVN. Universal also seeks an order requiring the Company to trigger a buy/sell provision that could require that the Company sell its interest in the USA Networks joint venture, or that the Company or its designee purchase Universal's interest in the joint venture. The matters were tried during the fourth quarter of 1996 and the parties are awaiting the Court's decision. The Company

believes it has substantial defenses both to Universal's claims of breach and to the availability of the relief sought in the action and is vigorously pursuing its defenses.

Certain subsidiaries of the Company from time to time receive claims from federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup costs and related damages arising out of former operations. While the outcome of these claims cannot be predicted with certainty, on the basis of its experience and the information currently available to it, the Company does not believe that the claims it has received will have a material adverse effect on its results of operations, financial position or liquidity (see "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Item 8. Financial Statements and Supplemental Data").

The Company and various of its subsidiaries are parties to certain other legal proceedings. However, these proceedings are not likely to result in judgments that will have a material adverse effect on its results of operations, financial position or liquidity.

Financial Information About Foreign and Domestic Operations

Financial information relating to foreign and domestic operations for each of the last three years ending December 31, is set forth in Notes 13 and 14 to the Consolidated Financial Statements of the Company included elsewhere herein.

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable

Executive Officers of the Company

Set forth below is certain information concerning the current executive officers of the Company, which information is hereby included in Part I of this report.

Name - - - - -	Age - - -	Title - - - - -
Sumner M. Redstone	73	Chairman of the Board of Directors and Chief Executive Officer
Philippe P. Dauman	43	Deputy Chairman, Executive Vice President, General Counsel, Chief Administrative Officer and Secretary and Director
Thomas E. Dooley	40	Deputy Chairman, Executive Vice President-- Finance, Corporate Development and Communications and Director
Vaughn A. Clarke	43	Senior Vice President, Treasurer
Carl D. Folta	39	Senior Vice President, Corporate Relations
Michael D. Fricklas	37	Senior Vice President, Deputy General Counsel
Susan C. Gordon	43	Vice President, Controller and Chief Accounting Officer
Rudolph L. Hertlein	56	Senior Vice President, Corporate Development
William A. Roskin	54	Senior Vice President, Human Resources and Administration
George S. Smith, Jr.	48	Senior Vice President, Chief Financial Officer
Mark M. Weinstein	54	Senior Vice President, Government Affairs

None of the executive officers of the Company is related to any other executive officer or director by blood, marriage or adoption except that Brent D. Redstone and Shari Redstone, Directors of the Company, are the son and daughter, respectively, of Sumner M. Redstone.

Mr. Redstone has been a Director of the Company since 1986 and Chairman of the Board since 1987, acquiring the additional title of Chief Executive Officer in January 1996. Mr. Redstone has served as President, Chief Executive Officer of NAI since 1967, and continues to serve in such capacity; he has also served as the Chairman of the Board of NAI since 1986. Mr. Redstone became a Director of Spelling in 1994 and became Chairman of the Board of Spelling in January 1996. He served as the first Chairman of the Board of the National Association of Theater Owners, and is currently a member of the Executive Committee of that organization. Mr. Redstone is Chairman of the Corporate Commission on Education Technology whose mission is to advance the quality of education in the United States through the use of technology. The Commission comprises chief executive officers from leading media and telecommunications companies. Since 1982, Mr. Redstone has been a member of the faculty of Boston University Law School, where he has lectured in entertainment law, and since 1994, he has been a Visiting Professor at Brandeis University. In 1944, Mr. Redstone graduated from Harvard University and, in 1947, received an LL.B. from Harvard University School of Law. Upon graduation, he served as Law Secretary with the United States Court of Appeals, and then as a Special Assistant to the United States Attorney General.

Mr. Dauman has been a Director of the Company since 1987 and was appointed Deputy Chairman of the Company in January 1996. In March 1994, he was elected Executive Vice President, General Counsel, Chief Administrative Officer and Secretary of the Company. Mr. Dauman became a Director of Spelling in 1994 and Director of NAI in 1992. From February 1993 to March 1994, he served as Senior Vice President, General Counsel and Secretary of the Company. Prior to that, Mr. Dauman was a partner in the law firm of Shearman & Sterling in New York, which he joined in 1978.

Mr. Dooley was appointed a Director and Deputy Chairman of the Company in January 1996 and has been an executive officer of the Company since January 1987. Mr. Dooley became a director of Spelling in 1996 and a director of StarSight Telecast, Inc. in 1995. In March 1994, he was elected Executive Vice President--Finance, Corporate Development and Communications of the Company. From July 1992 to March 1994, Mr. Dooley served as Senior Vice President, Corporate Development of the Company. From August 1993 to March 1994, he also served as President, Interactive Television. Prior to that, he served as Vice President, Treasurer of the Company since 1987. In December 1990, he was named Vice President, Finance of the Company. Mr. Dooley joined Viacom International Inc. in 1980 in the corporate finance area and has held various positions in the corporate and divisional finance areas.

Mr. Clarke was elected Senior Vice President, Treasurer of the Company in July 1994, having joined the Company as Vice President, Treasurer in April 1993. Prior to that, he spent 12 years at Gannett Co., Inc., where he held various management positions, most recently as Assistant Treasurer.

Mr. Folta was elected Senior Vice President, Corporate Relations of the Company in November 1994. Prior to that, he served as Vice President, Corporate Relations of the Company from April 1994 to November 1994. From 1984 until joining the Company in April 1994, Mr. Folta held various Corporate Communications positions at Paramount, serving most recently as Senior Director, Corporate Communications.

Mr. Fricklas was elected Senior Vice President, Deputy General Counsel of the Company in March 1994. From June 1993 to March 1994, he served as Vice President, Deputy General Counsel of the Company. He served as Vice President, General Counsel and Secretary of Minorco (U.S.A.) Inc. from 1990 to 1993. Prior to that, Mr. Fricklas was an attorney in private practice at the law firm of Shearman & Sterling.

Ms. Gordon was elected Vice President, Controller and Chief Accounting Officer in April 1995. Prior to that, she served as Vice President, Internal Audit of the Company since October 1986. From June 1985 to October 1986, Ms. Gordon served as Controller of Viacom Broadcasting. She joined the Company in 1981 and held various positions in the corporate finance area.

Mr. Hertlein was elected Senior Vice President of the Company in July 1994. Prior to that, he served as Senior Vice President and Controller of Paramount from September 1993 to July 1994 and as Senior Vice President, Internal Audit and Special Projects of Paramount from September 1992 to September 1993 and, before that, as Vice President, Internal Audit and Special Projects of Paramount.

Mr. Roskin has been an executive officer of the Company since April 1988 when he became Vice President, Human Resources and Administration. In July 1992, Mr. Roskin was elected Senior Vice President, Human Resources and Administration of the Company. From May 1986 to April 1988, he was Senior Vice President, Human Resources at Coleco Industries, Inc. From 1976 to 1986, he held various executive positions at Warner Communications, Inc., serving most recently as Vice President, Industrial and Labor Relations.

Mr. Smith has been an executive officer of the Company since May 1985. In November 1987, he was elected Senior Vice President, Chief Financial Officer of the Company and he continues to serve in such capacity. In May 1985, Mr. Smith was elected Vice President, Controller and, in October 1987, he was elected Vice President, Chief Financial Officer of the Company. From 1983 until May 1985, he served as Vice President, Finance and Administration of Viacom Broadcasting and from 1981 until 1983, he served as Controller of Viacom Radio. Mr. Smith joined the Company in 1977 in the Corporate Treasurer's office and until 1981 served in various financial planning capacities.

Mr. Weinstein has been an executive officer of the Company since January 1986. In February 1993, he was elected Senior Vice President, Government Affairs of the Company. Prior to that, Mr. Weinstein served as Senior Vice President, General Counsel and Secretary of the Company since the fall of 1987. In January 1986, Mr. Weinstein was appointed Vice President, General Counsel of the Company. From 1976 through 1985, he was Deputy General Counsel of Warner Communications Inc. and in 1980 became Vice President. Previously, Mr. Weinstein was an attorney in private practice at the law firm of Paul, Weiss, Rifkind, Wharton & Garrison.

PART II

Item 5. Market for Viacom Inc.'s Common Equity and Related Security Holder Matters.

Viacom Inc. voting Class A Common Stock and Viacom Inc. non-voting Class B Common Stock are listed and traded on the American Stock Exchange ("AMEX") under the symbols "VIA" and "VIA B", respectively.

The following table sets forth, for the calendar period indicated, the per share range of high and low sales prices for Viacom Inc.'s Class A Common Stock and Class B Common Stock, as reported on the AMEX Composite Tape.

	Viacom Class A Common Stock		Viacom Class B Common Stock	
	High ----	Low ---	High ----	Low ---
1995				
1st quarter	\$48 1/4	\$41 1/8	\$47 3/8	\$40 1/4
2nd quarter	49 1/2	41	48 5/8	40 3/4
3rd quarter	54 1/8	44 3/4	54 1/4	44 5/8
4th quarter	50 5/8	44	50 3/4	44 5/8
1996				
1st quarter	\$46 3/4	\$36 5/8	\$47 5/8	\$37 1/8
2nd quarter	43 3/8	36 3/8	44 3/8	37 1/8
3rd quarter	38 3/8	29 5/8	39	29 3/4
4th quarter	38 1/4	30 7/8	38 3/4	30 7/8

Viacom Inc. has not declared cash dividends on its common stock and has no present intention of so doing.

As of March 21, 1997 there were approximately 11,641 holders of Viacom Inc. Class A Common Stock, and 21,882 holders of Viacom Inc. Class B Common Stock.

Item 6. Selected Financial Data

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

	Year Ended December 31,				
	1996	1995	1994	1993	1992
Revenues	\$ 12,084.2	\$ 10,915.9	\$ 6,701.4	\$ 1,513.6	\$ 1,389.6
Operating income (a)	\$ 1,274.3	\$ 1,398.7	\$ 505.9	\$ 253.4	\$ 207.6
Earnings from continuing operations	\$ 170.7	\$ 150.5	\$ 77.0	\$ 41.3	\$ 3.5
Net earnings	\$ 1,247.9	\$ 222.5	\$ 89.6	\$ 171.0	\$ 49.0
Net earnings attributable to common stock	\$ 1,187.9	\$ 162.5	\$ 14.6	\$ 158.2	\$ 49.0
Primary and fully diluted net earnings per common share:					
Earnings from continuing operations	\$.30	\$.24	\$.01	\$.24	\$.03
Net earnings	\$ 3.23	\$.43	\$.07	\$ 1.31	\$.41
At year end:					
Total assets	\$ 28,834.0	\$ 28,991.0	\$ 28,273.7	\$ 6,416.9	\$ 4,317.1
Long-term debt, net of current portion	\$ 9,855.7	\$ 10,712.1	\$ 10,402.4	\$ 2,440.0	\$ 2,397.0
Shareholders' equity	\$ 12,594.4	\$ 12,093.8	\$ 11,791.6	\$ 2,718.1	\$ 756.5

(a) Operating income is defined as net earnings before cumulative effect of change in accounting principle, extraordinary losses, discontinued operations, minority interest, equity in earnings (loss) of affiliated companies (net of tax), income taxes, other items (net), and interest expense (net).

Paramount Communication Inc.'s and Blockbuster Entertainment Corporation's results of operations are included commencing March 1, 1994 and October 1, 1994, respectively. Results for each year presented exclude the Cable segment, interactive game operations, including Virgin, and Viacom Radio Stations which are reported as discontinued operations. See Notes to Consolidated Financial Statements for additional information on transactions and accounting classifications which have affected the comparability of the periods presented above.

Viacom Inc. has not declared cash dividends on its common stock for any of the periods presented above.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition.

General

Management's discussion and analysis of the results of operations and financial condition of Viacom Inc. and its subsidiaries (the "Company") should be read in conjunction with the Consolidated Financial Statements and related Notes. Descriptions of all documents incorporated by reference herein or included as exhibits hereto are qualified in their entirety by reference to the full text of such documents so incorporated or included.

On February 19, 1997, the Board of Directors of Spelling Entertainment Group Inc. ("Spelling"), a majority owned subsidiary of the Company, approved a formal plan to sell Virgin Interactive Entertainment Limited ("Virgin") through a public offering. On the same date, the Company adopted a plan to dispose of its interactive game businesses, including Viacom New Media which is operated by Virgin under a services agreement entered into during September 1996. The disposition is expected to be completed by the end of 1997. Accordingly, such interactive game operations have been accounted for as discontinued operations and the Company has recorded a loss on the disposal of \$159.3 million, which includes estimated losses through the expected date of disposition of \$58.0 million.

On February 16, 1997, the Company entered into an agreement to sell the Viacom Radio Stations to Evergreen Media Corporation for approximately \$1.075 billion in cash. The transaction is expected to result in a gain and be completed during the summer of 1997. The Viacom Radio Stations have been accounted for as a discontinued operation.

On July 31, 1996, the Company completed the split-off of its Cable segment pursuant to an exchange offer and related transactions. As a result, the Company realized a gain of \$1.317 billion, reduced its debt and retired approximately 4.1% of the total outstanding common shares. The Cable segment has been accounted for as a discontinued operation.

Operating results and the related gain or loss attributable to discontinued operations have been separately disclosed in the Company's notes to the consolidated financial statements. (See Note 3 of the Notes to the Consolidated Financial Statements).

During 1994, the Company made two significant acquisitions of large and diversified businesses. Where appropriate the Company merged the operations of previously existing and acquired businesses. On March 11, 1994, the Company acquired a majority of the outstanding shares of Paramount Communications Inc. ("Paramount") by tender offer; on July 7, 1994, Paramount became a wholly owned subsidiary of the Company (the "Paramount Merger"); and on January 3, 1995, Paramount merged into Viacom International. On September 29, 1994, Blockbuster Entertainment Corporation ("Blockbuster") merged with and into the Company (the "Blockbuster Merger"). Paramount's and Blockbuster's results of operations are included commencing March 1, 1994 and October 1, 1994, respectively.

The Company's consolidated statements of operations reflect four operating segments:

Networks and Broadcasting - Basic Cable and Premium Subscription Television Program Services, and Television Stations.

Entertainment - Production and Distribution of Motion Pictures and Television Programming as well as Movie Theater Operations and Music Publishing.

Video and Music/Theme Parks - Home Video and Music Retailing, and Theme Parks.

Publishing - Education; Consumer; Business and Professional; Reference; and International Groups.

The following tables set forth revenues and operating income by business segment, for each of the three years ending December 31, 1996, with the year ended December 31, 1994 presented on a pro forma and historical basis. The pro forma information is provided in addition to historical information solely to assist in the comparison of results of operations and is not necessarily indicative of the combined results of operations of Viacom, Paramount and Blockbuster that would have occurred if the completion of the Mergers and related transactions had occurred on January 1, 1994. Results for each year presented exclude the Cable segment, interactive game operations, and Viacom Radio Stations which are reported as discontinued operations.

Business Segment Information
(In millions)

	Year ended December 31,		% Change 1996 vs. 1995	Year ended December 31,		% Change 1995 vs 1994
	1996	1995		1994	1994 (c)	
				Pro forma(b)	Pro forma	
Revenues:						
Networks and Broadcasting.....	\$ 2,404.0	\$ 2,030.8	18%	\$ 1,784.9	\$ 1,754.0	14%
Entertainment.....	3,493.4	3,407.5	3	2,731.9	2,112.2	25
Video and Music/Theme Parks.....	3,920.4	3,333.4	18	2,907.8	1,070.4	15
Publishing.....	2,331.7	2,171.1	7	2,027.5	1,786.4	7
Intercompany.....	(65.3)	(26.9)	143	(26.1)	(21.6)	3
	-----	-----		-----	-----	
Total revenues.....	\$12,084.2	\$10,915.9	11	\$ 9,426.0	\$ 6,701.4	16
	=====	=====		=====	=====	
Operating income (a):						
Networks and Broadcasting.....	\$ 630.2	\$ 520.3	21%	\$ 412.2	\$ 322.3	26%
Entertainment.....	326.6	354.8	(8)	138.7	(77.2)	156
Video and Music/Theme Parks.....	273.1	501.5	(46)	388.3	199.5	29
Publishing.....	217.2	186.3	17	121.3	193.9	54
	-----	-----		-----	-----	
Segment operating income.....	1,447.1	1,562.9	(7)	1,060.5	638.5	47
Corporate.....	(172.8)	(164.2)	5	(125.3)	(132.6)	31
	-----	-----		-----	-----	
Total operating income.....	\$ 1,274.3	\$ 1,398.7	(9)	\$ 935.2	\$ 505.9	50
	=====	=====		=====	=====	

(a) Operating income is defined as net earnings before cumulative effect of change in accounting principle, extraordinary losses, discontinued operations, minority interest, equity in earnings (loss) of affiliated companies (net of tax), income taxes, other items (net), and interest expense (net).

(b) Pro forma represents the Company's 1994 results of operations as if the Paramount and Blockbuster Mergers occurred on January 1, 1994 and are adjusted to exclude \$332.1 million of non-recurring merger-related charges (See Note 2 of Notes to the Consolidated Financial Statements).

(c) Paramount's and Blockbuster's results of operations are included commencing March 1, 1994 and October 1, 1994, respectively.

EBITDA

The following table sets forth EBITDA (defined as operating income (loss) before depreciation and amortization principally of goodwill related to business combinations) for the years ended December 31, 1996 and 1995, with December 31, 1994 presented on a pro forma and historical basis. While many in the financial community consider EBITDA to be an important measure of comparative operating performance, it should be considered in addition to, but not as a substitute for or superior to operating income, net earnings, cash flow and other measures of financial performance prepared in accordance with generally accepted accounting principles.

	Year ended December 31,		% Change 1996 vs.1995	Year ended December 31,		% Change 1995 vs 1994
	1996	1995		1994	1994 (c)	
	-----	-----	-----	-----	-----	-----
				Pro forma(b)		Pro forma
EBITDA (a):						
Networks and Broadcasting.....	\$ 755.3	\$ 627.9	20%	\$ 504.8	\$ 409.1	24%
Entertainment.....	454.7	480.9	(5)	269.0	13.3	79
Video and Music/Theme Parks.....	676.6	823.0	(18)	688.5	289.9	20
Publishing.....	365.2	340.2	7	254.9	296.9	33
	-----	-----		-----	-----	
Segment EBITDA.....	2,251.8	2,272.0	(1)	1,717.2	1,009.2	32
Corporate.....	(159.9)	(156.6)	2	(119.7)	(127.3)	31
	-----	-----		-----	-----	
Total EBITDA.....	\$ 2,091.9	\$ 2,115.4	(1)	\$1,597.5	\$ 881.9	32
	=====	=====		=====	=====	

(a) EBITDA is defined as operating income (loss) before depreciation and amortization.

(b) Pro forma represents the Company's 1994 results of operations as if the Paramount and Blockbuster Mergers occurred on January 1, 1994 and are adjusted to exclude \$332.1 million of non-recurring merger-related charges (See Note 2 of Notes to the Consolidated Financial Statements).

(c) Paramount's and Blockbuster's results of operations are included commencing March 1, 1994 and October 1, 1994, respectively.

Results of Operations 1996 versus 1995

Revenues increased 11% to \$12.1 billion for 1996 from \$10.9 billion for 1995. Revenue increases were driven primarily by the Networks and Broadcasting and Video and Music/Theme Parks segments, which reported increased advertising and affiliate revenues and continued expansion of Video stores which also reported a 6% increase in worldwide same-store sales. EBITDA decreased 1% to \$2.09 billion for 1996 from \$2.12 billion for 1995. Operating income decreased 9% to \$1.3 billion for 1996 from \$1.4 billion for 1995. Operating results decreased due principally to the Video and Music/Theme Parks segment which recorded a restructuring charge of \$88.9 million, a write-off of music inventory of \$9.4 million and continued to encounter difficult conditions in the music retailing industry. The Entertainment segment also recognized approximately \$250.0 million of revenues and \$68.0 million of EBITDA and operating income during 1995 resulting from the conforming of accounting policies pertaining to the television programming libraries of Viacom Entertainment, Spelling and Paramount. The Networks and Broadcasting and Video and Music/Theme Parks segments contributed 49% and 21%, respectively, of consolidated operating income for 1996 versus 37% and 36%, respectively, for 1995.

The restructuring charge noted above includes costs associated with the closing of approximately 10% or 50 Blockbuster Music stores, as well as certain costs associated with the move of Blockbuster's headquarters from Fort Lauderdale to Dallas. Excluding the impact of the \$98.3 million Blockbuster restructuring and inventory charges described above, the Company's EBITDA increased 4% to \$2.2 billion for 1996 from \$2.1 billion for 1995.

Segment Results of Continuing Operations - 1996 versus 1995

Networks and Broadcasting (Basic Cable and Premium Subscription Television Program Services, and Television Stations)

The Networks and Broadcasting segment is comprised of MTV Networks ("MTVN"), basic cable television program services, Showtime Networks Inc. ("SNI"), premium subscription television program services, and Television stations. Revenues increased 18% to \$2.4 billion for 1996 from \$2.0 billion for 1995. EBITDA increased 20% to \$755.3 million for 1996 from \$627.9 million for 1995. Operating income increased 21% to \$630.2 million for 1996 from \$520.3 million for 1995. MTVN revenues of \$1.3 billion increased 27%, EBITDA of \$529.2 million increased 29% and operating income of \$464.1 million increased 30%. The increase in MTVN's revenues principally reflects higher advertising and affiliate revenues. Advertising revenue gains were driven by rate increases at Nickelodeon and higher unit volume at MTV. MTVN's EBITDA and operating income gains were driven by the increased revenues partially offset by start-up costs of Nick at Nite's TV Land and M2 and increased expenses associated with programming and international expansion. SNI's revenues, EBITDA and operating income increased 12%, 19% and 14%, respectively, reflecting an increase of 1.0 million subscribers to 15.9 million as of December 31, 1996, partially offset by increased programming costs. The Television stations revenues and EBITDA each increased 2% and operating income increased 1%, primarily reflecting the swapping of network affiliated television stations for independent stations which are or become affiliated with United Paramount Network. On a same-station basis, revenues and EBITDA for Television stations increased 6% and 11%, respectively.

Entertainment (Motion Pictures and Television Programming, Movie Theaters, and Music Publishing)

The Entertainment segment is principally comprised of Paramount Pictures, Paramount Television and Spelling Entertainment Group Inc. ("Spelling"). Revenues increased 3% to \$3.5 billion for 1996 from \$3.4 billion for 1995. EBITDA decreased 5% to \$454.7 million for 1996 from \$480.9 million for 1995. Operating income decreased 8% to \$326.6 million for 1996 from \$354.8 million for 1995. Feature Film revenues from Paramount Pictures' major 1996 theatrical releases, including Mission: Impossible, The First Wives Club and Star Trek: First Contact and the impact, principally in the first quarter, of Paramount's KirchGroup transaction, were offset primarily by lower operating results at Spelling, stemming from softness in the direct-to-video market and significantly higher production spending. In 1995, the Company also recognized \$250.0 million of revenues and \$68.0 million of EBITDA and operating income resulting from the conforming of accounting policies pertaining to the television programming libraries of Viacom Entertainment, Spelling and Paramount.

License fees for the television exhibition of motion pictures and for syndication and basic cable exhibition of television programming are recorded as revenue in the period that the products are available for such exhibition, which, among other reasons, may cause substantial fluctuation in operating results. As of December 31, 1996, the unrecognized revenues attributable to such licensing agreements were approximately \$1.7 billion.

Video and Music/Theme Parks (Home Video and Music Retailing/Theme Parks)

The Video and Music/Theme Parks segment is comprised of Blockbuster Video and Music and Paramount Parks. Revenues increased 18% to \$3.9 billion for 1996 from \$3.3 billion for 1995. EBITDA decreased 18% to \$676.6 million for 1996 from \$823.0 million for 1995. Operating income decreased 46% to \$273.1 million for 1996 from \$501.5 million for 1995. The revenue increase primarily reflects the increased number of Company-owned video stores in operation in 1996 as compared to 1995 and a 6% increase in worldwide same-store sales. Blockbuster Video ended the year with 5,317 stores, a net increase of 804 stores from the prior year. EBITDA of \$676.6 million reflects the impact of a write-off of music inventory of \$9.4 million, a restructuring charge of \$88.9 million and increased rental tape amortization. The restructuring charge includes costs associated with the closing of approximately 10% or 50 Blockbuster Music stores, as well as certain costs associated with the move of Blockbuster's headquarters from Fort Lauderdale to Dallas. Music stores revenues of \$616.2 million for 1996 increased 5% over the comparable prior-year period. Music stores operating losses before depreciation and amortization of \$46.2 million for 1996 decreased from EBITDA of \$33.1 million for 1995 reflecting continuing difficult conditions in the music retailing industry. Music stores recorded operating losses of \$79.2 million as compared to operating income of \$14.7 million for 1995. Theme Parks revenues increased 5%, operating income increased 28% and EBITDA increased 16% driven principally by increased attendance.

Excluding the impact of the Blockbuster restructuring and inventory charges of \$98.3 million, 1996 Video and Music/Theme Parks posted EBITDA of \$774.9 million and Music stores posted EBITDA of \$1.9 million.

Publishing (Education; Consumer; Business and Professional; Reference; and International Groups)

Publishing is comprised of Simon & Schuster which includes imprints such as Simon & Schuster, Pocket Books, Prentice Hall and Macmillan Computer Publishing. Revenues increased 7% to \$2.3 billion for 1996 from \$2.2 billion for 1995. EBITDA increased 7% to \$365.2 million for 1996 from \$340.2 million for 1995. Operating income increased 17% to \$217.2 million for 1996 from \$186.3 million for 1995. Revenue increases for the year primarily reflect strong sales from the Higher Education, Macmillan Publishing USA, and International divisions, stemming principally from strong domestic title sales and an enhanced focus in the Latin American and Asian markets. The Consumer Group's EBITDA rose slightly reflecting strong sales for *Undaunted Courage* by Stephen Ambrosia, *Angela's Ashes* by Frank McCourt, *Moonlight Becomes You* by Mary Higgins Clark and *It Takes A Village* by Hillary Rodham Clinton.

Other Income and Expense Information

Corporate expenses

Corporate expenses, including depreciation and amortization expense, increased 5% to \$172.8 million for 1996 from \$164.2 million for 1995, principally reflecting the impact of executive severance expense in 1996.

Interest Expense

Net interest expense decreased 1% to \$798.0 million for 1996 from \$809.3 million for 1995, principally reflecting the reduction of debt attributable to the Cable split-off partially offset by increases in debt to finance capital expenditures and other investments including the purchase of treasury stock during 1996. The Company had approximately \$9.9 billion and \$10.8 billion principal amount of debt outstanding as of December 31, 1996 and December 31, 1995, respectively, at a weighted average interest rate of 7.4% for each period. (See Note 7 of Notes to Consolidated Financial Statements.)

Provision for Income Taxes

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The annual effective tax rates of 61.5% for 1996 and 63.3% for 1995, were both adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes.

Equity in Loss of Affiliates

"Equity in loss of affiliated companies, net of tax" was \$13.0 million for 1996 as compared to \$52.9 million for 1995. The net equity loss of \$13.0 million for 1996 principally reflects the losses from international start-up equity ventures, partially offset by improved operating results for both USA Networks, a basic cable network and United Cinemas International Multiplex B.V. The equity loss for 1995 primarily reflects the loss of \$49.4 million, net of tax, related to the Company's write off of its approximately 49% interest in Discovery Zone, which filed for protection under bankruptcy laws, and losses of international ventures, partially offset by operating results of USA Networks.

Minority Interest

Minority interest primarily represents the minority ownership of Spelling's common stock.

Discontinued Operations

For 1996 and 1995, discontinued operations reflect the results of operations, net of tax, of the Cable segment, the interactive game operations, including Virgin, and the Viacom Radio Stations. The Cable segment was split-off from the Company on July 31, 1996 and the gain realized of \$1.317 billion is included in the net gain on discontinued operations, net of tax, offset by the anticipated loss of \$159.3 million on disposal of the interactive game operations. The Radio Station transaction is expected to result in a gain which will be recognized upon completion of the transaction. Madison Square Garden Corporation ("MSG") is also included within discontinued operations in 1995, as it was sold March 10, 1995. The Company acquired MSG during March 1994 as a part of the Paramount Merger with its book value recorded at fair value and therefore no gain was recorded on its sale. (See Note 3 of Notes to Consolidated Financial Statements).

1995 versus 1994

Results of operations presented below exclude the Cable segment, interactive game operations, including Virgin, Viacom Radio Stations and MSG, sold March 10, 1995, to conform with the current year's discontinued operations presentation.

Revenues increased to \$10.9 billion for 1995 from \$6.7 billion for 1994. EBITDA increased to \$2.1 billion for 1995 from \$881.9 million for 1994. Operating income increased to \$1.4 billion for 1995 from \$505.9 million for 1994.

The comparability of results of operations for 1995 and 1994 has been affected by the Mergers and the non-recurring merger-related charges (see Note 2 of Notes to Consolidated Financial Statements). The following discussion of segment results of operations includes the 1994 results of operations presented on a pro forma basis, as if the Mergers occurred on January 1, 1994, and are adjusted to exclude non-recurring merger-related charges.

Revenues increased 16% to \$10.9 billion for 1995 from pro forma revenues of \$9.4 billion for 1994. EBITDA increased 32% to \$2.1 billion for 1995 from pro forma EBITDA of \$1.6 billion for 1994. Operating income increased 50% to \$1.4 billion for 1995 from pro forma operating income of \$935.2 million for 1994.

Segment Results of Continuing Operations - 1995 versus Pro Forma 1994

Networks and Broadcasting (Basic Cable and Premium Subscription Television Program Services, and Television Stations)

Revenues increased 14% to \$2.0 billion for 1995 from \$1.8 billion for 1994. EBITDA increased 24% to \$627.9 million for 1995 from \$504.8 million for 1994. Operating income increased 26% to \$520.3 million for 1995 from \$412.2 million for 1994. MTVN revenues of \$1.0 billion, EBITDA of \$410.9 million and operating income of \$355.8 million increased 20%, 26% and 25%, respectively. The increase in MTVN's revenues was principally attributable to higher advertising revenues due to rate increases and to a lesser extent increased affiliate revenues. MTVN's EBITDA and operating income gains were driven by the increased revenues partially offset by higher operating costs, primarily representing increased programming costs. SNI's revenues, EBITDA and operating income increased 6%, 44% and 51%, respectively, reflecting an increase of 1.3 million subscribers from December 31, 1994, partially offset by the absence in 1995 of royalty revenues resulting from the settlement of a contractual claim with a third party during 1994 and increased programming costs. The Television stations revenues increased 11%, EBITDA increased 12% and operating income increased 17% primarily reflecting increased advertising revenues and the Company's acquisition of television stations in large markets, offset by the disposition of television stations in smaller markets.

Entertainment (Motion Pictures and Television Programming, Movie Theaters, and Music Publishing)

Revenues increased 25% to \$3.4 billion for 1995 from \$2.7 billion for 1994. EBITDA increased 79% to \$480.9 million for 1995 from \$269.0 million for 1994. Operating income increased 156% to \$354.8 million for 1995 from \$138.7 million for 1994. The increase in results of operations is attributable to a number of factors, notably during 1995 the strong home video performance of Paramount Pictures' *Forrest Gump*, *Clear and Present Danger*, *Congo* and *Star Trek: Generations* and the sale of certain syndication rights to Carsey Werner, as compared to the 1994 domestic and foreign theatrical success of *Forrest Gump* and *Clear and Present Danger*. The Company also recognized approximately \$250.0 million of revenues and \$68.0 million of EBITDA and operating income during 1995 resulting from the conforming of accounting policies pertaining to the television programming libraries of Viacom Entertainment, Spelling and Paramount.

License fees for the television exhibition of motion pictures and for syndication and basic cable exhibition of television programming are recorded as revenue in the year that the products are available for such exhibition, which, among other reasons, may cause substantial fluctuation in operating results. As of December 31, 1995, the unrecognized revenues attributable to such licensing agreements were approximately \$1.1 billion.

Video and Music/Theme Parks (Home Video and Music Retailing/Theme Parks)

Revenues increased 15% to \$3.3 billion for 1995 from \$2.9 billion for 1994. EBITDA increased 20% to \$823.0 million for 1995 from \$688.5 million for 1994. Operating income increased 29% to \$501.5 million for 1995 from \$388.3 million for 1994. The gains in results of operations primarily reflect the increased number of domestic Company-owned video stores in operation in 1995 as compared to 1994 and an increase of greater than 3% in worldwide same-store sales, partially offset by increased overall operating and overhead expenses. Music stores revenues increased \$26.4 million, EBITDA and operating income decreased \$13.4 million and \$20.2 million, respectively, reflecting the highly competitive music retail environment. Theme Parks revenues increased \$10.3 million, EBITDA increased \$7.3 million and operating income increased \$6.9 million primarily reflecting increased attendance, and the acquisition of a water park partially offset by increased operating expenses and in the case of operating income, higher depreciation expenses.

Publishing (Education; Consumer; Business and Professional; Reference; and International Groups)

Publishing revenues increased 7% to \$2.2 billion for 1995 from \$2.0 billion for 1994. EBITDA increased 33% to \$340.2 million for 1995 from \$254.9 million for 1994. Operating income increased 54% to \$186.3 million for 1995 from \$121.3 million for 1994. Results of operations primarily reflect increased Education Group sales resulting from strong Higher Education frontlist sales and increased Elementary and Secondary Group state adoptions and contributions from Consumer Group frontlist titles at Pocket Books. EBITDA and operating income for 1994 reflect an aggregate charge of \$32.8 million attributable to certain non-recurring transition costs and the pro forma results of operations of Macmillan for the two months prior to acquisition.

Other Income and Expense Information 1995 vs. Actual 1994

Corporate expenses

Corporate expenses, including depreciation, increased 24% to \$164.2 million for 1995 from \$132.6 million for 1994. The increase in Corporate expenses reflects the recognition of higher systems, facility and incentive compensation obligations that occurred in 1995.

Interest Expense

Net interest expense of \$809.3 million for 1995 compared to \$491.6 million for 1994 reflects the effects of the full year impact of the issuance of 8% exchangeable subordinated debentures and debt incurred and acquired as part of the Mergers and the issuance of notes during 1995, offset by decreased bank borrowings. The notes issued during 1995, pursuant to the shelf registration statement described in Liquidity and Capital Resources, were \$350 million of 6.75% Senior Notes, \$200 million of 7.625% of Senior Debentures and \$1 billion of 7.75% Senior Notes. The Company had approximately \$10.8 billion and \$10.4 billion principal amount of debt outstanding as of December 31, 1995 and December 31, 1994, respectively, at a weighted average interest rate of 7.4% and 7.5%. (See Note 7 of Notes to Consolidated Financial Statements.)

Other Items, Net

For 1994, "Other items, net" primarily reflects the pre-tax gain of \$267.4 million, which resulted from the sale of the Company's one-third partnership interest in Lifetime for \$317.6 million in April 1994. Proceeds from the sale were used to reduce outstanding debt.

Provision for Income Taxes

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The annual effective tax rates of 63.3% for 1995 and 84.8% for 1994 were both adversely affected by amortization of intangibles resulting from the Mergers which are not deductible for tax purposes.

Equity in Earnings (Loss) of Affiliates

"Equity in loss of affiliated companies, net of tax" was \$52.9 million for 1995 as compared to earnings of \$19.2 million for 1994, primarily reflecting, in 1995, an equity loss, net of tax, of \$49.4 million related to the Company's approximately 49% interest in Discovery Zone and net losses of equity investments in international start-up ventures, partially offset by improved operating results of USA Networks.

Minority Interest

Minority interest primarily represents the minority ownership of Spelling's common stock for 1995 and fourth quarter 1994 and minority ownership of Paramount's common stock, for the period March through June 1994.

Discontinued Operations

For 1995 and 1994, discontinued operations reflect the results of operations, net of tax, of the Cable segment, the interactive game operations, including Virgin, Viacom Radio Stations and MSG, sold March 10, 1995. The Company acquired MSG during March 1994 as a part of the Paramount Merger with its book value recorded at fair value and therefore no gain was recorded on its sale. (See Note 3 of Notes to Consolidated Financial Statements.)

Extraordinary Losses

During 1994, the Company refinanced its existing credit facilities and therefore recognized an after-tax extraordinary loss from the extinguishment of debt of \$20.4 million, net of tax benefit of \$11.9 million.

Acquisitions

On March 11, 1994, the Company acquired a majority of the shares of Paramount's common stock outstanding at a price of \$107 per share in cash. On July 7, 1994, Paramount became a wholly owned subsidiary of the Company. The total cost to acquire Paramount of \$9.9 billion was financed through \$3.7 billion of borrowing from banks, \$3.1 billion of cash and \$3.1 billion of securities. (See Note 2 of Notes to Consolidated Financial Statements). Such cash was obtained through the issuance of \$1.8 billion of Preferred Stock (of which \$600 million and \$1.2 billion were issued to Blockbuster and NYNEX Corporation, respectively) and \$1.25 billion of Viacom Inc. Class B Common Stock was issued to Blockbuster. The securities issued to Blockbuster were canceled upon consummation of the Blockbuster Merger.

On September 29, 1994, Blockbuster was merged with and into the Company. The total cost to acquire Blockbuster of \$7.6 billion was financed through the issuance of equity securities to Blockbuster shareholders. (See Note 2 of Notes to Consolidated Financial Statements).

Restructuring Charge

In 1996, following a strategic analysis, Blockbuster adopted a plan to abandon certain Music stores, relocate its headquarters and eliminate third party distributors domestically. As a result of such plan, Blockbuster recognized a fourth quarter restructuring charge of approximately \$88.9 million principally reflecting costs associated with the closing of approximately 10% or 50 of its Music retail stores and costs associated with relocating Blockbuster's headquarters from Fort Lauderdale to Dallas. As a result of the music store closings, Blockbuster recognized lease termination costs of \$28.3 million and accrued shut-down and other costs of \$14.6 million through the restructuring charge in the fourth quarter of 1996. The music store closings were completed during the first quarter of 1997.

In the fourth quarter of 1996, Blockbuster recognized \$25 million of estimated severance benefits payable to approximately 650 of its Fort Lauderdale headquarters employees who have chosen not to relocate. Blockbuster, through the restructuring charge, also recognized \$21.0 million of other costs of exiting Fort Lauderdale and eliminating third party distributors. The Blockbuster relocation to Dallas is expected to be completed in the second quarter of 1997. Through December 31, 1996, no significant payments have been made related to the restructuring charge.

Liquidity and Capital Resources

The Company expects to fund its anticipated cash requirements (including the anticipated cash requirements of its capital expenditures, joint ventures, commitments and payments of principal, interest and dividends on its outstanding indebtedness and preferred stock) with internally generated funds and from various external sources, which may include the Company's existing Credit Agreements and amendments thereto, co-financing arrangements by the Company's various divisions, additional financings and the sale of non-strategic assets as opportunities may arise. On March 26, 1997 the Company amended and restated the Credit Agreements. (See Note 7 of Notes to Consolidated Financial Statements).

The Company's scheduled maturities of indebtedness through December 31, 2001, assuming full utilization of the amended credit agreements are \$536 million (1997), \$650 million (1998), \$1.2 billion (1999), \$1.7 billion (2000) and \$2.1 billion (2001). The Company has classified certain short-term indebtedness as long-term debt based upon its intent and ability to refinance such indebtedness on a long-term basis. The Company's Preferred Stock dividend requirement is \$60 million per year.

Planned capital expenditures, including information systems costs, are approximately \$600 million to \$750 million in 1997. Capital expenditures are primarily related to capital additions for new and existing video stores and theme park attractions. The Company's joint ventures are expected to require estimated net cash contributions of approximately \$125 million to \$175 million in 1997, including United Paramount Network ("UPN"), and MTV Asia. On January 15, 1997, the Company acquired a 50% interest in UPN from BHC Communications, Inc. ("BHC"), an affiliate of Chris Craft Industries, Inc., pursuant to an option the Company exercised on December 4, 1996, for a price of approximately \$160 million, an amount equaling approximately one-half of BHC's aggregated cash contributions to UPN through the exercise date, plus market-based interest. The joint venture will be recorded as an equity investment beginning in the first quarter of 1997. In March 1997, the Company assumed 100% of the funding requirements of MTV Asia, a joint venture between MTVN and PolyGram N.V., as PolyGram N.V. completed its maximum contribution requirements per the partnership agreement. The Company is actively seeking a third partner for this joint venture.

The Company was in compliance with all debt covenants and had satisfied all financial ratios and tests as of December 31, 1996 under its Credit Agreements and the Company expects to be in compliance and satisfy all such covenant ratios as may be applicable from time to time during 1997.

Debt as a percentage of total capitalization of the Company decreased to 44% at December 31, 1996 from 47% at December 31, 1995.

The Company entered into interest rate exchange agreements with off-balance sheet risk in order to reduce its exposure to changes in interest rates on its variable rate long-term debt. As of December 31, 1996, the Company and its subsidiaries had obtained interest rate protection agreements with respect to approximately \$600 million of indebtedness, which effectively changed the Company's interest rate on variable rate borrowings to fixed interest rates. The interest rate protection agreements matured during March 1997. The Company has not entered into additional interest rate protection agreements as of March 26, 1997.

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 options, and interest rate swap agreements. The foreign exchange contracts have principally been used to hedge the British Pound, the Australian Dollar, the Japanese Yen, the Canadian Dollar, the French Franc, the Singapore Dollar, the German Deutschemark and the European Currency Unit/British Pound relationship. These derivatives, which are over-the-counter instruments, are non-leveraged. At December 31, 1996, the Company had outstanding contracts with a notional value of approximately \$52.0 million which expire in 1997 and 1998. Realized gains and losses on contracts that hedge anticipated future cash flows are recognized in "Other Items, Net" and were not material in each of the periods.

The Company continually monitors its positions with, and credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties. The Company's receivables do not represent significant concentrations of credit risk at December 31, 1996, due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

The Company filed a shelf registration statement with the Securities and Exchange Commission registering debt securities, preferred stock and contingent value rights of Viacom and guarantees of such debt securities by Viacom International which may be issued for aggregate gross proceeds of \$3.0 billion. The registration statement was declared effective on May 10, 1995. The net proceeds from the sale of the offered securities may be used by Viacom to repay, redeem, repurchase or satisfy its obligations in respect to its outstanding indebtedness or other securities; to make loans to its subsidiaries; for general corporate purposes; or for such other purposes as may be specified in the applicable Prospectus Supplement. The Company filed a post-effective amendment to this registration statement on November 19, 1996. To date, the Company has issued \$1.6 billion of notes and debentures and has \$1.4 billion remaining availability under the shelf registration statement.

During 1996, the Company, together with National Amusements, Inc. ("NAI"), initiated a joint share repurchase program. As of December 31, 1996, the Company repurchased 658,200 shares of Viacom Inc. Class A Common Stock, 5,594,600 shares of Viacom Inc. Class B Common Stock and 5,450,390 Viacom Five-Year Warrants, expiring on July 7, 1999, for approximately \$240.2 million in the aggregate. As of December 31, 1996, NAI had acquired 1,282,200 shares of Viacom Inc. Class A Common Stock and 5,602,000 shares of Class B Common Stock for approximately \$249.6 million, raising its ownership to approximately 67% of Viacom Inc. Class A Common Stock and approximately 28% of Class A and Class B Common Stock on a combined basis.

The commitments of the Company for program license fees, which are not reflected in the balance sheet as of December 31, 1996 and are estimated to aggregate approximately \$1.7 billion, principally reflect commitments of approximately \$1.5 billion under SNI's exclusive arrangements with several motion picture companies. This estimate is based upon a number of factors. A majority of such fees are payable over several years, as part of normal programming expenditures of SNI. These commitments are contingent upon delivery of motion pictures which are not yet available for premium television exhibition and, in many cases, have not yet been produced.

See Note 12 of Notes to Consolidated Financial Statements for a description of the Company's future minimum lease commitments.

There are various lawsuits and claims pending against the Company. Management believes that any ultimate liability resulting from those actions or claims will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

Certain subsidiaries and affiliates of the Company from time to time receive claims from Federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup costs and related damages, principally relating to discontinued operations conducted by its former mining and manufacturing businesses (acquired as part of the Mergers). The Company has recorded a liability reflecting its best estimate of environmental exposure. Such liability was not 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.

Current assets increased to \$5.7 billion for 1996 from \$5.2 billion for 1995 primarily reflecting the classification of net assets of discontinued operations and increased receivables. The increase in receivables is attributable to revenue growth at Paramount from domestic theatrical and home video releases, and higher network and syndication sales. The allowance for doubtful accounts as a percentage of receivables decreased to 5% for 1996 from 6% for 1995. Both current and non-current inventory increased principally reflecting the timing of the release of motion pictures at Paramount Pictures, and increased video and game product purchases at Blockbuster for new and existing video stores. The change in property and equipment principally reflects capital expenditures of \$598.6 million and equipment acquired under capital leases of \$211.1 million primarily related to capital additions for new and existing video stores offset by the split-off of Cable and depreciation expense of \$401.3 million. Current liabilities increased to \$4.3 billion for 1996 from \$4.1 billion for 1995 due to increased foreign syndication deferred revenue and other normal operating activity. Long-term debt including current maturities, decreased to \$9.9 billion for 1996 from \$10.8 billion for 1995, reflecting debt reduction attributable to the cable split-off, partially offset by continued investment in the Company's businesses and the purchase of treasury stock.

Net cash flow from operating activities increased 27% to \$70.5 million in 1996 from \$55.6 million for 1995 principally due to a reduction of \$410.6 million in payments for interest and taxes during 1996 partially offset by increases in foreign syndication receivables and investment in feature film inventory at Paramount Pictures, and the timing of payments for higher purchases of rental inventory at Blockbuster Video. Net cash flow from operating activities decreased 85% to \$55.6 million in 1995 from \$376.9 million for 1994. Such amounts are not comparable due to the Mergers. The decreased operating cash flow primarily reflects interest and tax payments of \$1.4 billion for 1995 versus \$429 million for 1994 as well as payments for significant levels of Blockbuster video product purchases made, in the first quarter of 1995 partially offset by increased operating income. Net cash flow from investing activities of \$839.6 million for 1996, principally reflects the proceeds of \$1.7 billion from the split-off of the Company's Cable systems, partially offset by capital expenditures and other investing activities. Net cash expenditures from investing activities of \$79.6 million for 1995 principally reflects capital expenditures and other acquisitions partially offset by proceeds from the sale of MSG and other dispositions. Financing activities reflect borrowings and repayment of debt under the credit agreements during each period presented, the purchase of treasury stock during 1996, proceeds from the issuance of senior notes during 1995 and the issuance of Viacom Inc. Class B Common Stock to Blockbuster during 1994.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of Viacom Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Viacom Inc. and its subsidiaries (the "Company") at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits of the consolidated financial statements of Viacom Inc. also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP
New York, New York

February 14, 1997, except as to the second and first paragraphs of Note 3 which are as of February 16, 1997 and February 19, 1997, respectively

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Management has prepared and is responsible for the consolidated financial statements and related notes of Viacom Inc. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with the consolidated financial statements.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal auditing function which evaluates and reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

Viacom Inc.'s consolidated financial statements have been audited by Price Waterhouse LLP, independent accountants, who have expressed their opinion with respect to the presentation of these statements.

The Audit Committee of the Board of Directors, which is comprised solely of directors who are not employees of the Company, meets periodically with the independent accountants, with our internal auditors, as well as with management, to review accounting, auditing, internal accounting controls and financial reporting matters. The Audit Committee is also responsible for recommending to the Board of Directors the independent accounting firm to be retained for the coming year, subject to shareholder approval. The independent accountants and the internal auditors have full and free access to the Audit Committee with and without management's presence.

VIACOM INC.

By: /s/ Sumner M. Redstone

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

By: /s/ George S. Smith, Jr.

George S. Smith, Jr.
Senior Vice President,
Chief Financial Officer

By: /s/ Susan C. Gordon

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

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

	Year Ended December 31,		
	1996	1995	1994
Revenues	\$ 12,084.2	\$ 10,915.9	\$ 6,701.4
Expenses:			
Operating	7,605.3	6,689.5	4,109.4
Selling, general and administrative	2,298.1	2,111.0	1,710.1
Restructuring charge	88.9	--	--
Depreciation and amortization	817.6	716.7	376.0
Total expenses	10,809.9	9,517.2	6,195.5
Operating income	1,274.3	1,398.7	505.9
Other income (expense):			
Interest expense, net	(798.0)	(809.3)	(491.6)
Other items, net (See Note 16)	4.2	(9.6)	261.2
Earnings from continuing operations before income taxes	480.5	579.8	275.5
Provision for income taxes	(295.5)	(367.1)	(233.7)
Equity in earnings (loss) of affiliated companies, net of tax	(13.0)	(52.9)	19.2
Minority interest	(1.3)	(9.3)	16.0
Earnings from continuing operations	170.7	150.5	77.0
Earnings (loss) from discontinued operations, net of tax (See Note 3)	(80.5)	72.0	33.0
Net gain on discontinued operations, net of tax (See Note 3)	1,157.7	--	--
Earnings before extraordinary loss	1,247.9	222.5	110.0
Extraordinary loss, net of tax (See Note 7)	--	--	(20.4)
Net earnings	1,247.9	222.5	89.6
Cumulative convertible preferred stock dividend requirement	(60.0)	(60.0)	(75.0)
Net earnings attributable to common stock	\$ 1,187.9	\$ 162.5	\$ 14.6
	=====	=====	=====
Primary and fully diluted net earnings per common share:			
Earnings from continuing operations	\$ 0.30	\$ 0.24	\$ 0.01
Net earnings	\$ 3.23	\$ 0.43	\$ 0.07
Weighted average number of common shares and common share equivalents:			
Primary	367.4	375.1	220.0
Fully diluted	367.5	375.5	220.4

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)

	December 31,	
	1996	1995
	-----	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$ 209.0	\$ 464.1
Receivables, less allowances of \$101.3 (1996) and \$126.0 (1995)	2,153.1	1,872.4
Inventory (See Note 5)	923.3	888.1
Theatrical and television inventory (See Note 5)	1,419.1	1,275.0
Other current assets	723.8	684.4
Net assets of discontinued operations	289.4	--
	-----	-----
Total current assets	5,717.7	5,184.0
	=====	=====
Property and Equipment:		
Land	466.9	477.6
Buildings	1,382.6	1,161.7
Capital leases	637.1	412.0
Equipment and other	1,403.1	1,363.6
Cable television systems	--	539.8
	-----	-----
	3,889.7	3,954.7
Less accumulated depreciation and amortization	733.9	756.8
	-----	-----
Net property and equipment	3,155.8	3,197.9
	-----	-----
Inventory (See Note 5)	2,619.4	2,271.5
Intangibles, at amortized cost	14,894.2	16,153.2
Other assets	2,446.9	2,184.4
	-----	-----
	\$28,834.0	\$28,991.0
	=====	=====

See notes to consolidated financial statements.

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

	December 31,	
	1996	1995
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 808.8	\$ 788.8
Accrued expenses	1,459.9	1,498.2
Deferred income	364.6	243.5
Accrued compensation	425.7	449.4
Participants' share, residuals and royalties payable	856.6	798.2
Program rights	290.5	240.4
Current portion of long-term debt	62.6	45.1
	-----	-----
Total current liabilities	4,268.7	4,063.6
	-----	-----
Long-term debt (See Note 7)	9,855.7	10,712.1
Other liabilities	2,115.2	2,121.5
Commitments and contingencies (See Note 12)		
Shareholders' Equity:		
Convertible Preferred Stock, par value \$.01 per share; 200.0 shares authorized; 24.0 (1996) and 24.0 (1995) shares issued and outstanding	1,200.0	1,200.0
Class A Common Stock, par value \$.01 per share; 200.0 shares authorized; 69.4 (1996) and 75.1 (1995) shares issued and outstanding	0.7	0.8
Class B Common Stock, par value \$.01 per share; 1,000.0 shares authorized; 282.6 (1996) and 294.6 (1995) shares issued and outstanding	2.9	2.9
Additional paid-in capital	10,242.1	10,726.9
Retained earnings	1,361.0	173.1
Cumulative translation adjustments	11.3	(9.9)
	-----	-----
12,818.0	12,093.8	
Less treasury stock, at cost; 6.3 shares (1996)	223.6	--
	-----	-----
Total shareholders' equity	12,594.4	12,093.8
	-----	-----
	\$28,834.0	\$28,991.0
	=====	=====

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	1996	1995	1994
Operating Activities:			
Net earnings	\$1,247.9	\$ 222.5	\$ 89.6
Adjustments to reconcile net earnings to net cash flow from operating activities:			
Net gain on discontinued operations, net of tax (See Note 3)	(1,157.7)	--	--
Depreciation and amortization	817.6	820.4	465.7
Restructuring charge (See Note 4)	88.9	--	--
Merger-related charges (See Note 2)	--	--	332.1
Distribution from affiliated companies	59.8	82.2	37.7
Equity in (earnings) losses of affiliated companies, net of tax	13.0	53.9	(18.6)
Gain on the sale of marketable securities	--	(26.9)	--
Gain on dispositions, net of tax (See Note 16)	--	--	(164.4)
Extraordinary losses, net of tax (See Note 7)	--	--	20.4
Change in operating assets and liabilities:			
Increase in receivables	(413.3)	(233.8)	(152.6)
Increase in inventory and related programming liabilities, net	(443.0)	(305.9)	(557.0)
Increase in prepublication costs, net	(57.9)	(75.7)	(47.0)
(Increase) decrease in prepaid expenses and other current assets	(40.0)	(84.5)	110.1
(Increase) decrease in unbilled receivables	(226.5)	(55.6)	17.3
Increase (decrease) in accounts payable and accrued expenses	1.0	(364.1)	164.7
Increase (decrease) in income taxes payable and deferred income taxes, net	38.5	(56.5)	28.8
Increase in deferred income	122.6	68.0	9.8
Other, net	19.6	11.6	40.3
Net cash flow provided by operating activities	70.5	55.6	376.9
Investing activities:			
Proceeds from dispositions	1,838.1	1,442.9	317.6
Acquisitions, net of cash acquired	(299.8)	(616.2)	(6,254.6)
Capital expenditures	(598.6)	(730.6)	(364.9)
Investments in and advances to affiliated companies	(88.8)	(138.1)	(51.3)
Proceeds from sale of short-term investments	137.9	281.3	156.2
Purchases of short-term investments	(149.2)	(301.2)	(102.2)
Other, net	--	(17.7)	(37.2)
Net cash flow provided by (used in) investing activities	839.6	(79.6)	(6,336.4)
Financing activities:			
Short-term (repayments to) borrowings from banks, net	(859.5)	(1,560.2)	3,560.0
Proceeds from the issuance of senior notes	--	1,538.6	--
Proceeds from the issuance of Class B Common Stock	--	--	1,250.0
Proceeds from exercise of stock options and warrants	95.1	125.6	52.6
Purchase of treasury stock	(223.6)	--	--
Payment of Preferred Stock dividends	(60.0)	(60.0)	(72.7)
Settlement of CVRs	--	(81.9)	--
Payment on capital lease obligations	(48.9)	(36.3)	(5.1)
Repayment of other notes	(50.9)	--	--
Deferred financing fees	--	(23.4)	(87.1)
Other, net	(17.4)	(12.0)	(22.9)
Net cash flow provided by (used in) financing activities	(1,165.2)	(109.6)	4,674.8
Net decrease in cash and cash equivalents	(255.1)	(133.6)	(1,284.7)
Cash and cash equivalents at beginning of year	464.1	597.7	1,882.4
Cash and cash equivalents at end of year	\$ 209.0	\$ 464.1	\$ 597.7

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions)

	Year ended December 31,					
	1996		1995		1994	
	Shares	Amounts	Shares	Amounts	Shares	Amounts
Convertible Preferred Stock:						
Balance, beginning of year.....	24.0	\$ 1,200.0	24.0	\$ 1,200.0	48.0	\$ 1,800.0
Cancellation of Series A Preferred Stock.....	--	--	--	--	(24.0)	(600.0)
Balance, end of year.....	24.0	\$ 1,200.0	24.0	\$ 1,200.0	24.0	\$ 1,200.0
Class A Common Stock:						
Balance, beginning of year.....	75.1	\$.8	74.6	\$.7	53.4	\$.5
Exercise of stock options and warrants.....	.4	--	.5	.1	.2	--
Cable split-off.....	(5.4)	(.1)	--	--	--	--
Repurchase of Common Stock.....	(.7)	--	--	--	--	--
Blockbuster Merger Consideration.....	--	--	--	--	21.0	.2
Balance, end of year.....	69.4	\$.7	75.1	\$.8	74.6	\$.7
Class B Common Stock:						
Balance, beginning of year.....	294.6	\$ 2.9	284.1	\$ 2.8	67.3	\$.7
Exercise of stock options and warrants.....	3.5	.1	4.4	--	1.2	--
Cable split-off.....	(9.9)	(.1)	--	--	--	--
Repurchase of Common Stock.....	(5.6)	--	--	--	--	--
Conversion of VCRs to B Shares.....	--	--	6.1	.1	--	--
Paramount Merger Consideration.....	--	--	--	--	56.7	.5
Blockbuster Merger Consideration.....	--	--	--	--	158.9	1.6
Issuance of shares.....	--	--	--	--	22.7	.2
Cancellation of shares.....	--	--	--	--	(22.7)	(.2)
Balance, end of year.....	282.6	\$ 2.9	294.6	\$ 2.9	284.1	\$ 2.8
Additional Paid-In Capital:						
Balance, beginning of year.....		\$ 10,726.9		\$ 10,579.5		\$ 920.9
Exercise of stock options and warrants, net of tax benefit.....		157.4		233.3		65.8
Cable split-off.....		(625.6)		--		--
Cost of repurchased warrants.....		(16.6)		--		--
Paramount Merger Consideration.....		--		--		2,190.9
Blockbuster Merger Consideration.....		--		--		7,412.1
Settlement of CVRs.....		--		(81.9)		--
Settlement of Paramount Merger appraisal rights.....		--		(4.0)		--
Issuance of Class B Common shares.....		--		--		1,250.0
Cancellation of Class B Common shares.....		--		--		(1,250.0)
Expenses associated with stock issuances.....		--		--		(10.2)
Balance, end of year.....		\$ 10,242.1		\$ 10,726.9		\$ 10,579.5
Retained Earnings (Accumulated Deficit):						
Balance, beginning of year.....		\$173.1		\$ 10.6		\$ (4.0)
Net earnings.....		1,247.9		222.5		89.6
Convertible Preferred stock dividend requirement		(60.0)		(60.0)		(75.0)
Balance, end of year.....		\$ 1,361.0		\$ 173.1		\$ 10.6
Cumulative Translation Adjustments:						
Balance, beginning of year.....		\$ (9.9)		\$ (2.0)		\$ --
Translation adjustments.....		21.2		(7.9)		(2.0)
Balance, end of year.....		\$ 11.3		\$ (9.9)		\$ (2.0)
Treasury Stock at cost:						
Balance, beginning of year.....	--	\$ --	--	\$ --	--	\$ --
Class A Common Stock repurchased.....	.7	(22.9)	--	--	--	--
Class B Common Stock repurchased.....	5.6	(200.7)	--	--	--	--
Balance, end of year.....	6.3	\$ (223.6)	--	\$ --	--	\$ --
Total Shareholders' Equity.....		\$ 12,594.4		\$ 12,093.8		\$ 11,791.6

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollars in millions, except per share amounts)

1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Viacom Inc. and its subsidiaries (the "Company") is a diversified entertainment and publishing company with operations in the four segments described below. In accordance with Accounting Principles Board Opinion ("APB") 30 "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", the Company has presented three lines of businesses as discontinued operations: Viacom Cable, which was split-off from the Company on July 31, 1996; Viacom Radio Stations, which the Company has agreed to sell to Evergreen Media Corporation for \$1.075 billion in cash; and its interactive game operations including Virgin Interactive Entertainment Limited ("Virgin"), a unit of Spelling Entertainment Group, Inc. ("Spelling"), for which the Company has adopted a plan of disposal (See Note 3). Prior years' statements of operations have been reclassified to conform with the current year's discontinued operations presentation. The Company's consolidated results of operations include the results of operations of Paramount Communications Inc. ("Paramount") commencing March 1, 1994 and Blockbuster Entertainment Corporation ("Blockbuster") commencing October 1, 1994 (See Note 2). See Note 13 regarding the relative contribution to revenues and operating income of each of the following business segments:

Networks and Broadcasting

The Company, through MTV Networks, owns and operates advertiser-supported basic cable television program services, and, through Showtime Networks Inc., owns and operates premium subscription cable television program services. The Company also owns and operates 11 television stations.

Entertainment

The Company, through Paramount and Spelling: 1) produces, acquires, finances and distributes feature motion pictures, normally for exhibition in U.S. and foreign theaters followed by videocassettes and discs, pay-per-view television, premium subscription television, network television, basic cable television and syndicated television exploitation; 2) produces, acquires and distributes series, mini-series, specials and made-for-television movies primarily for network television, first-run syndication and basic cable television; and 3) operates movie theaters.

Video and Music/Theme Parks

The Company, through Blockbuster, operates and franchises videocassette rental and retail sales stores, and operates music stores throughout the United States and internationally. Additionally, the Company, through Paramount Parks, owns and operates five regional theme parks and one water park in the United States and Canada.

Publishing

The Company, through Simon & Schuster, publishes and distributes consumer hardcover and paperback books, CD-ROM products, audio books, educational textbooks and supplemental educational materials, multimedia curriculum and information and reference materials for businesses and professionals.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

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 and 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 subsequently differ from those estimates.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and investments of more than 50% in subsidiaries and other entities. Investments in affiliated companies over which the Company has a significant influence or ownership of more than 20% but less than or equal to 50% are accounted for under the equity method. All significant intercompany transactions have been eliminated. Investments of 20% or less are accounted for under the cost method.

Cash Equivalents - Cash equivalents are defined as short-term (3 months or less) highly liquid investments.

Inventories - Publishing related inventories are generally determined using the lower of cost (first-in, first-out method) or net realizable value. Pre-recorded music and videocassette sell through inventory costs are determined using the moving weighted average method, the use of which approximates the first-in, first-out basis. Videocassette rental inventory is recorded at cost and amortized over its estimated economic life. Videocassettes which are base stock are amortized over 36 months on a straight-line basis. Videocassettes which are new release feature films are frequently ordered in large quantities to satisfy initial demand ("hits"). For each store, the fifth and any succeeding copies of hit titles purchased are amortized over six months on a straight-line basis.

Theatrical and Television Inventories - Inventories related to theatrical and television product (which include direct production costs, production overhead, acquisition costs, prints and certain exploitation costs) are stated at the lower of amortized cost or net realizable value. Inventories are amortized, and liabilities for residuals and participation's are accrued, on an individual product basis based on the proportion that current revenues bear to the estimated remaining total lifetime revenues. Estimates for initial domestic syndication and basic cable revenues are not included in the estimated lifetime revenues of network series until such sales are probable. Estimates of total lifetime revenues and expenses are periodically reviewed. The costs of feature and television films are classified as current assets to the extent such costs are expected to be recovered through their respective primary markets, with the remainder classified as noncurrent. A portion of the cost to acquire Paramount and Blockbuster was allocated to theatrical and television inventories based upon estimated revenues from certain films less related costs of distribution and a reasonable profit allowance for the selling effort. The cost allocated to films is being amortized over their estimated economic lives not to exceed 20 years.

The Company estimates that approximately 69% of unamortized film costs (including amounts allocated under purchase accounting) at December 31, 1996 will be amortized within the next three years.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

Program Rights - The Company acquires rights to exhibit programming on its broadcast stations or cable networks. The costs incurred in acquiring programs are capitalized and amortized over the license period. Program rights and the related liabilities are recorded at the gross amount of the liabilities when the license period has begun, the cost of the program is determinable, and the program is accepted and available for airing.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed principally by the straight-line method over estimated useful lives ranging from 3 to 40 years. Depreciation expense, including capitalized lease amortization, was \$401.3 million (1996), \$292.9 million (1995) and \$155.0 million (1994).

Property and equipment includes capital leases of \$513.8 million and \$358.5 million as of December 31, 1996 and December 31, 1995, respectively, net of accumulated amortization of \$123.3 million and \$53.5 million, respectively. Amortization expense related to capital leases was \$70.4 million (1996), \$39.1 million (1995) and \$13.1 million (1994).

In 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by the Company be reviewed for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate, to the carrying amount including associated intangible assets of such operation. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Measurement of an impairment loss is based on the fair value of the underlying asset. Fair value is principally determined by discounted cash flows, depending upon the nature of the assets. The adoption of SFAS 121 did not have a significant effect on the consolidated financial position or results of operations.

Intangible Assets - Intangible assets, which primarily consist of the cost of acquired businesses in excess of the fair value of tangible assets and liabilities acquired ("goodwill"), are generally amortized by the straight-line method over estimated useful lives of up to 40 years. The Company evaluates the amortization period of intangibles on an ongoing basis in light of changes in any business conditions, events or circumstances that may indicate the potential impairment of intangible assets. Accumulated amortization of intangible assets at December 31 was \$1.3 billion (1996) and \$1.1 billion (1995).

Revenue Recognition - Subscriber fees for Networks are recognized in the period the service is provided. Advertising revenues for Networks and Broadcasting are recognized in the period during which the spots are aired. Revenues from the video and music stores are recognized at the time of rental or sale. The publishing segment recognizes revenue when merchandise is shipped.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

Theatrical and Television Revenues - On average, the length of the initial revenue cycle for feature films approximates four to seven years. Theatrical revenues from domestic and foreign markets are recognized as films are exhibited; revenues from the sale of videocassettes and discs are recognized upon delivery of the merchandise; and revenues from all television sources are recognized upon availability of the film for telecast.

Television series initially produced for the networks and first-run syndication are generally licensed to domestic and foreign markets concurrently. The more successful series are later syndicated in domestic markets and in certain foreign markets. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production. Revenues arising from television license agreements are recognized in the period that the films or television series are available for telecast and therefore may cause fluctuation in operating results.

Interest - Costs associated with the refinancing or issuance of debt, as well as with debt discount, are expensed as interest over the term of the related debt. The Company enters into interest rate exchange agreements; the amount to be paid or received under such agreements is accrued as interest rates change and is recognized over the life of the agreements as an adjustment to interest expense. Amounts paid for purchased interest rate cap agreements are amortized as interest expense over the term of the agreement (See Note 8).

Foreign Currency Translation and Transactions - The Company's foreign subsidiaries' assets and liabilities are translated at exchange rates in effect at the balance sheet date, while results of operations are translated at average exchange rates for the respective periods. The resulting translation gains or losses are included as a separate component of shareholders' equity. Foreign currency transaction gains and losses have been included in other items, net, and have not been material in any of the years presented.

Provision for Doubtful Accounts - The provision for doubtful accounts charged to expense was \$71.1 million (1996), \$70.8 million (1995) and \$39.6 million (1994).

Net Earnings per Common Share - Primary net earnings per common share is calculated based on the weighted average number of common shares outstanding during each period, the effects of common shares potentially issuable in connection with stock options and warrants, and in 1995 and 1994, variable common rights ("VCRs") and contingent value rights ("CVRs") (prior to their settlement). For each of the full years presented, the effect of the assumed conversion of Preferred Stock is antidilutive and therefore, not reflected in fully diluted net earnings per common share.

During February 1997, the Financial Accounting Standards Board ("FASB") issued SFAS 128, "Earnings per Share," which is effective for financial statements for both interim and annual periods ending after December 15, 1997. The Company does not expect this statement to have a material impact on its earnings per share.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

Reclassifications - Certain amounts reported for prior years have been reclassified to conform with the current year's presentation.

2) PARAMOUNT MERGER, BLOCKBUSTER MERGER AND RELATED TRANSACTIONS

On March 11, 1994, the Company acquired a majority of the shares of Paramount common stock outstanding at a price of \$107 per share in cash. On July 7, 1994, Paramount became a wholly owned subsidiary of the Company (the "Paramount Merger"). Each share of Paramount common stock outstanding at the time of the Paramount Merger (other than shares held in the treasury of Paramount or owned by the Company and other than shares held by any stockholders who demanded and perfected appraisal rights) was converted into the right to receive (i) 0.93065 of a share of Class B Common Stock, (ii) \$17.50 principal amount of 8% exchangeable subordinated debentures ("8% Merger Debentures"), (iii) 0.93065 of a CVR, (iv) 0.5 of a warrant to purchase one share of Viacom Inc. Class B Common Stock at any time prior to the third anniversary of the Paramount Merger at a price of \$60 per share, and (v) 0.3 of a warrant to purchase one share of Viacom Inc. Class B Common Stock at any time prior to the fifth anniversary of the Paramount Merger at a price of \$70 per share.

On July 7, 1995 the CVRs matured. The Company paid approximately \$81.9 million in cash, or approximately \$1.44 per CVR, to settle its obligation under the CVRs.

On September 29, 1994, Blockbuster was merged with and into the Company (the "Blockbuster Merger"). Each share of Blockbuster Common Stock outstanding at the time of the Blockbuster Merger (other than shares held in the treasury of Blockbuster or owned by the Company) was converted into the right to receive (i) 0.08 of a share of Viacom Inc. Class A Common Stock, (ii) 0.60615 of a share of Viacom Inc. Class B Common Stock and (iii) one VCR.

On September 29, 1995 the VCRs matured. The Company issued approximately 6.1 million shares of Viacom Inc. Class B Common Stock, or .022665 of a share of Viacom Inc. Class B Common Stock per VCR, to settle its obligation under the VCRs.

The Paramount Merger and the Blockbuster Merger (collectively, the "Mergers") were accounted for under the purchase method of accounting. Accordingly, the total cost to acquire Paramount of \$9.9 billion and Blockbuster of \$7.6 billion was allocated to the respective assets and liabilities acquired based on their fair values at the time of the Mergers with the aggregate excess cost over the fair value of net tangible assets acquired of \$7.9 billion and \$6.8 billion, respectively, allocated to goodwill.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The unaudited condensed pro forma results of operations data presented below assumes that the Mergers and related transactions, the sale of the one-third partnership interest in Lifetime and the sale of MSG (as described in Note 3) occurred January 1, 1994. The unaudited condensed pro forma results of operations data was prepared based upon the historical consolidated results of operations of the Company for the year ended December 31, 1994, Paramount for the two months ended February 28, 1994, and Blockbuster for the nine months ended September 30, 1994, adjusted to exclude the non-recurring merger-related charges of \$332.1 million.

The results presented below exclude the Cable segment, the interactive game operations, including Virgin, and the Viacom Radio Stations (see Note 3). Financial information for Paramount and Blockbuster subsequent to the date of acquisition is included in the Company's historical information. Intangible assets are amortized principally over 40 years on a straight-line basis. The following unaudited pro forma information is not necessarily indicative of the combined results of operations of the Company, Paramount and Blockbuster that would have occurred if the completion of the transactions had occurred on the dates previously indicated nor are they necessarily indicative of future operating results of the combined company.

	Year ended December 31, 1994
	(Unaudited)
Revenues.....	\$ 9,426.0
Operating income.....	935.2
Earnings from continuing operations before extraordinary loss and preferred stock dividends.....	55.8
Loss from continuing operations per common share before extraordinary loss.....	(.01)

Pro forma operating income for the year ended December 31, 1994 excludes \$332.1 million of non-recurring merger-related charges reflecting the integration of the Company's pre-merger businesses with similar Paramount units, and related management and strategic changes principally related to the merger with Paramount.

As part of the Mergers, the Company recognized costs of plans to exit activities and terminate and relocate employees of Paramount and Blockbuster. The total liabilities accrued for such costs were \$228.7 million, of which \$71.4 million represents costs to exit activities, \$119.2 million for severance costs and \$38.1 million for relocation costs. During 1996, 1995 and 1994, the Company paid and charged against the liabilities approximately \$42.9 million, \$79.9 million and \$84.6 million, respectively. The Company expects to substantially complete the activities related to these liabilities during 1997.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

3) DISPOSITIONS

On February 19, 1997, the Board of Directors of Spelling, a majority owned subsidiary of the Company, approved a formal plan to sell Virgin through a public offering. On the same date, the Company adopted a plan to dispose of its interactive game businesses, including Viacom New Media which is operated by Virgin under a services agreement entered into during September 1996. The disposition is expected to be completed by the end of 1997. Accordingly, such interactive game operations have been accounted for as discontinued operations and the Company has recorded a loss on the disposal of \$159.3 million, which includes estimated losses through the expected date of disposition of \$58.0 million.

On February 16, 1997, the Company entered into an agreement to sell the Viacom Radio Stations to Evergreen Media Corporation for \$1.075 billion in cash. The transaction is expected to result in a gain and be completed during the summer of 1997, and accordingly, the Viacom Radio Stations have been accounted for as a discontinued operation.

On July 31, 1996, the Company completed the split-off of its Cable segment pursuant to an exchange offer and related transactions. As a result, the Company realized a gain of \$1.317 billion, reduced its debt by \$1.7 billion and retired 5,413,917 shares of Viacom Inc. Class A Common Stock and 9,943,043 shares of Class B Common Stock or approximately 4.1% of the total outstanding common shares. National Amusements, Inc. ("NAI"), which owns approximately 28% of Viacom Inc. Class A and Class B Common Stock on a combined basis, did not participate in the exchange offer.

On March 10, 1995, the Company sold Madison Square Garden Corporation, which included the Madison Square Garden Arena, The Paramount theater, the New York Knickerbockers, the New York Rangers and the Madison Square Garden Network (collectively "MSG") to a joint venture of ITT Corporation and Cablevision Systems Corporation for closing proceeds of approximately \$1.0 billion, representing the sale price of approximately \$1.075 billion, less approximately \$66 million in working capital adjustments. The Company acquired MSG during 1994 as part of Paramount with its book value recorded at fair value and therefore no gain was recorded on its sale. Proceeds from the sale of MSG and other dispositions were used to repay notes payable to banks, of which approximately \$600 million represented a permanent reduction of the Company's bank commitments.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

Summarized financial data of discontinued operations are as follows:

Results of discontinued operations:

	Cable -----	Interactive -----	Radio -----	MSG ---	Total -----
For the Year ended 1996(1)					
Revenues	\$236.9	\$268.7	\$113.5	\$ --	\$619.1
Earnings (loss) from operations before income taxes	50.5	(157.6)	36.3	--	(70.8)
Provision for income taxes	(21.5)	(1.2)	(16.1)	--	(38.8)
Net earnings (loss)	28.3	(129.0)	20.2	--	(80.5)
For the Year ended 1995(2)					
Revenues	\$444.4	\$242.8	\$106.6	\$ 91.5	\$885.3
Earnings (loss) from operations before income taxes	128.1	(42.5)	23.8	12.7	122.1
Benefit (provision) for income taxes .	(52.7)	13.9	(11.1)	(5.1)	(55.0)
Net earnings (loss)	74.4	(22.7)	12.7	7.6	72.0
For the Year ended 1994(3)					
Revenues	\$406.2	\$173.0	\$101.1	\$273.4	\$953.7
Earnings (loss) from operations before income taxes	80.0	(10.0)	31.2	(25.4)	75.8
Benefit (provision) for income taxes .	(35.8)	4.7	(14.9)	4.9	(41.1)
Net earnings (loss)	43.5	(6.3)	16.3	(20.5)	33.0

At December 31, 1996

Financial position (4):

Current assets.....	\$217.8
Net property and equipment.....	30.6
Other assets.....	526.3
Total liabilities.....	(485.3)

Net assets of discontinued operations.....	\$289.4
	=====

- (1) Results of operations include Cable for the six months ended June 30.
- (2) Results of operations include MSG for the period January 1 through March 9.
- (3) Results of operations include MSG for March 1 through December 31, and Virgin for October 1 through December 31.
- (4) Financial position data reflects Radio and Interactive at December 31.

The provision for income taxes of \$38.8 million for 1996, \$55.0 million for 1995 and \$41.1 million for 1994 represent effective tax rates of 54.8%, 45.0% and 54.2%, respectively. The differences between the effective tax rate and the statutory federal tax rate of 35% principally relate to certain nondeductible expenses, the allocation of nondeductible goodwill amortization, state and local taxes and the provision of valuation allowances attributable to net operating losses of Virgin.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

4) RESTRUCTURING CHARGE

In 1996, following a strategic analysis, Blockbuster adopted a plan to abandon certain Music stores, relocate its headquarters and eliminate third party distributors domestically. As a result of such plan, Blockbuster recognized a fourth quarter restructuring charge of approximately \$88.9 million principally reflecting costs associated with the closing of approximately 10% or 50 of its Music retail stores and costs associated with relocating Blockbuster's headquarters from Fort Lauderdale to Dallas. As a result of the music store closings, Blockbuster recognized lease termination costs of \$28.3 million and accrued shut-down and other costs of \$19.3 million through the restructuring charge in the fourth quarter of 1996. The music store closings were completed during the first quarter of 1997.

In the fourth quarter of 1996, Blockbuster recognized \$25 million of estimated severance benefits payable to approximately 650 of its Fort Lauderdale headquarters employees who have chosen not to relocate. Blockbuster, through the restructuring charge, also recognized \$16.3 million of other costs of exiting Fort Lauderdale and eliminating third party distributors. The Blockbuster relocation to Dallas is expected to be completed in the second quarter of 1997. Through December 31, 1996, no significant payments have been made related to the restructuring charge.

In the fourth quarter of 1996, Blockbuster recognized \$13.1 million of depreciation, attributable to fixed asset write downs for Music stores and the Fort Lauderdale headquarters. In addition, Blockbuster recognized music inventory impairment costs charged to operating expenses of \$9.4 million.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

5) INVENTORIES

Inventories consist of the following:

	December 31,	
	1996	1995
Prerecorded music and video cassettes	\$ 564.2	\$ 459.8
Videocassette rental inventory	668.2	520.3
Publishing:		
Finished goods	298.4	303.6
Work in process	33.9	44.9
Materials and supplies	14.5	30.2
Other	12.3	87.9
	1,591.5	1,446.7
Less current portion	923.3	888.1
	\$ 668.2	\$ 558.6
	=====	=====
Theatrical and television inventory:		
Theatrical and television productions:		
Released	\$1,811.3	\$1,612.1
Completed, not released	32.6	52.5
In process and other	352.6	357.0
Program rights	1,173.8	966.3
	3,370.3	2,987.9
Less current portion	1,419.1	1,275.0
	\$1,951.2	\$1,712.9
	=====	=====
Total non-current inventory	\$2,619.4	\$2,271.5
	=====	=====

6) INVESTMENTS IN AFFILIATED COMPANIES

The Company accounts for its investments in affiliated companies over which the Company has significant influence or ownership of more than 20% but less than or equal to 50% under the equity method. Such investments are principally comprised of the Company's interest in Comedy Central (50% owned), MTV Asia (50% owned) and Nick Germany (45% owned). Investments acquired as part of the Mergers were USA Networks (50% owned), United Cinemas International Multiplex B.V. (50% owned) and other theatrical exhibition and distribution ventures. Investments in affiliates are included as a component of other assets.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The following is a summary of combined financial information which is based on information provided by the equity investees.

	Year Ended December 31,		
	1996	1995	1994
Results of operations:			
Revenues	\$2,082.0	\$2,152.3	\$1,464.8
Operating income (loss)	2.3	(360.7)	86.2
Net earnings (loss)	(33.1)	(408.1)	57.3
December 31,			
	1996	1995	
Financial position:			
Current assets	\$ 919.4	\$ 891.8	
Noncurrent assets	1,091.8	1,367.8	
Current liabilities	733.1	990.5	
Noncurrent liabilities	656.7	825.8	
Equity	621.4	443.3	

The Company, through the normal course of business, is involved in transactions with affiliated companies that have not been material in any of the periods presented.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

7) BANK FINANCING AND DEBT

Long-term debt consists of the following:

	December 31,	
	1996	1995
	-----	-----
Notes payable to banks (a).....	\$5,253.0	\$ 6,206.9
6.625% Senior Notes due 1998.....	150.0	150.0
5.875% Senior Notes * due 2000.....	149.6	149.5
7.5% Senior Notes * due 2002.....	247.8	247.4
6.75% Senior Notes due 2003, net of unamortized discount of \$.3 (b).....	349.7	349.7
7.75% Senior Notes due 2005, net of unamortized discount of \$.1 (c).....	991.9	991.0
7.625% Senior Debentures due 2016, net of unamortized discount of \$1.3 (b).....	198.7	198.6
8.25% Senior Debentures * due 2022.....	247.2	247.1
7.5% Senior Debentures * due 2023.....	149.5	149.5
9.125% Senior Subordinated Notes * due 1999.....	150.0	150.0
8.75% Senior Subordinated Reset Notes * due 2001 (d).....	100.0	100.0
10.25% Senior Subordinated Notes * due 2001.....	200.0	200.0
7.0% Senior Subordinated Debentures * due 2003, net of unamortized discount of \$40.5 (1996) and \$44.6 (1995)..	191.0	186.8
8.0% Merger Debentures due 2006, net of unamortized discount of \$110.3 (1996) and \$120.8 (1995).....	960.0	947.9
Other Notes.....	8.7	60.9
Obligations under capital leases.....	571.2	421.9
	-----	-----
	\$9,918.3	\$10,757.2
Less current portion.....	62.6	45.1
	-----	-----
	\$9,855.7	\$10,712.1
	=====	=====

* Issues of Viacom International guaranteed by the Company.

(a) -- On July 1, 1994, the Company entered into an aggregate \$6.489 billion credit agreement (the "Viacom Credit Agreement"), and Viacom International Inc. ("Viacom International") and certain of its subsidiaries (the "Subsidiary Obligors") entered into a \$311 million credit agreement (the "Viacom International Credit Agreement," together with the Viacom Credit Agreement, collectively the "Credit Agreements") each with certain banks. On September 29, 1994, the Company entered into an aggregate \$1.8 billion credit agreement (the "\$1.8 billion Credit Agreement") with certain banks. As a result of the July 31, 1996 Cable split-off, the Company reduced its notes payable to banks by \$1.7 billion, of which \$1.5 billion represented a permanent reduction of its credit facility.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The interest rate on all loans made under the three facilities is based upon Citibank, N.A.'s base rate or the London Interbank Offered Rate ("LIBOR") and is affected by the Company's credit rating. At December 31, 1996, the LIBOR (upon which the Company's borrowing rate was based) for borrowing periods of one month and two months were each 5.50%. At December 31, 1995, LIBOR for borrowing periods of one and two months were 5.69% and 5.63%, respectively.

The Company is required to pay a commitment fee based on the aggregate daily unborrowed portion of the loan commitments. As of December 31, 1996, the Company had \$1.4 billion of available unborrowed loan commitments. The Credit Agreements do not require compensating balances.

Effective March 26, 1997, the Company and Viacom International amended and restated the Credit Agreements and the \$1.8 billion Credit Agreement to provide for credit agreements of \$6.4 billion (the "March 1997 Viacom Credit Agreement") and \$100 million (the "March 1997 Viacom International Credit Agreement," together with the March 1997 Viacom Credit Agreement, collectively the "March 1997 Credit Agreements"). The March 1997 Credit Agreements increased commitments by \$400 million, extended maturities and reduced pricing.

The following is a summary description of the March 1997 Credit Agreements. The description does not purport to be complete and should be read in conjunction with each of the credit agreements which have been filed as an exhibit and are incorporated by reference herein.

The March 1997 Viacom Credit Agreement is comprised of (i) a \$5.5 billion senior unsecured revolving loan maturing July 1, 2002 and (ii) a \$900 million term loan maturing April 1, 2002. The March 1997 Viacom International Credit Agreement is comprised of a \$100 million term loan maturing July 1, 2002.

The Company guarantees the March 1997 Viacom International Credit Agreement and notes and debentures issued by Viacom International. Viacom International guarantees the March 1997 Viacom Credit Agreement and notes and debentures issued by the Company.

The Company may prepay the loans and reduce commitments under the March 1997 Credit Agreements in whole or in part at any time.

The March 1997 Credit Agreements contain certain covenants which, among other things, require that the Company maintain certain financial ratios and impose on the Company and its subsidiaries certain limitations on substantial asset sales and mergers with any other company in which the Company is not the surviving entity.

The March 1997 Credit Agreements contain certain customary events of default and provide that it is an event of default if NAI fails to own at least 51% of the outstanding voting stock of the Company.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

On May 10, 1996, a subsidiary of the Company entered into a \$500 million 364-day Film Financing credit agreement, guaranteed by Viacom International and the Company.

(b) -- During December 1995, the Company issued an aggregate principal amount of \$350 million of 6.75% Senior Notes due 2003 at a price to the public of 99.903% and \$200 million of 7.625% Senior Debentures due 2016 at a price to the public of 99.29%. Proceeds from the issuance were used to repay notes payable to banks. Such notes and debentures were issued pursuant to the shelf registration statement described below.

(c) -- During May 1995, the Company issued an aggregate principal amount of \$1.0 billion of 7.75% Senior Notes due June 1, 2005 at a price to the public of 99.04%. Proceeds from the issuance were used to repay notes payable to banks, of which approximately \$400 million was a permanent reduction of the Company's bank commitments. Such notes were issued pursuant to the shelf registration statement described below.

(d) -- The \$100 million aggregate principal amount of 8.75% Senior Subordinated Reset Notes ("8.75% Reset Notes") are due on May 15, 2001. On May 15, 1995 the interest rate was reset at the original interest rate of 8.75%. On May 15, 1998, unless a notice of redemption of the 8.75% Reset Notes on such date has been given by the Company, the interest rate on the 8.75% Reset Notes will, if necessary, be adjusted from the rate then in effect to a rate to be determined on the basis of market rates in effect on May 5, 1998, as the rate the 8.75% Reset Notes should bear in order to have a market value of 101% of principal amount immediately after the resetting of the rate. In no event will the interest rate be lower than 8.75% or higher than the average three year treasury rate (as defined in the indenture) multiplied by two. Interest rate reset on May 15, 1998 will remain in effect on the 8.75% Reset Notes thereafter. The 8.75% Reset Notes are redeemable at the option of the Company, in whole but not in part, or on May 15, 1998, at a redemption price of 101% of principal amount plus accrued interest to, but not including, the date of redemption.

The Company filed a shelf registration statement with the Securities and Exchange Commission registering debt securities, preferred stock and contingent value rights of Viacom and guarantees of such debt securities by Viacom International which may be issued for aggregate gross proceeds of \$3.0 billion. The registration statement was declared effective on May 10, 1995. The net proceeds from the sale of the offered securities may be used by Viacom to repay, redeem, repurchase or satisfy its obligations in respect of its outstanding indebtedness or other securities; to make loans to its subsidiaries; for general corporate purposes; or for such other purposes as may be specified in the applicable Prospectus Supplement. The Company filed a post-effective amendment to this registration statement on November 19, 1996. To date, the Company has issued \$1.6 billion of notes and debentures and has \$1.4 billion remaining availability under the shelf registration statement.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

Interest costs incurred, interest income and capitalized interest are summarized below:

	Year Ended December 31,		
	1996	1995	1994
Interest Incurred	\$ 832.8	\$ 864.2	\$ 535.6
Interest Income	30.3	43.0	34.4
Capitalized Interest	4.5	11.9	9.6

The Company's scheduled maturities of indebtedness through December 31, 2001, assuming full utilization of the March 1997 Credit Agreements are \$536 million (1997), \$650 million (1998), \$1.2 billion (1999), \$1.7 billion (2000) and \$2.1 billion (2001). The Company has classified certain short-term indebtedness as long-term debt based upon its intent and ability to refinance such indebtedness on a long-term basis.

During 1994, the proceeds from the Viacom Credit Agreement were used to refinance the previously existing bank debt of the Company. The Company recognized an extraordinary loss from the extinguishment of debt of \$20.4 million, net of a tax benefit of \$11.9 million. The effective tax rate of 36.8% is greater than the federal statutory tax rate of 35% due to state tax benefits.

8) FINANCIAL INSTRUMENTS

The Company's carrying value of financial instruments approximates fair value, except for differences with respect to the notes and debentures and certain differences related to other financial instruments which are not significant. The carrying value of the senior debt, senior subordinated debt and subordinated debt is \$4.09 billion and the fair value, which is estimated based on quoted market prices, is approximately \$4.11 billion.

The Company entered into interest rate exchange agreements with off-balance sheet risk in order to reduce its exposure to changes in interest rates on its variable rate long-term debt and/or take advantage of changes in interest rates. These interest rate exchange agreements included interest rate swaps and interest rate caps. At December 31, 1996, the Company had \$600 million of interest rate exchange agreements outstanding with commercial banks. These agreements, which expired in March 1997, effectively changed the Company's interest rate on an equivalent amount of variable rate borrowings to a fixed rate of 6.30%.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The Company enters into foreign currency exchange contracts in order to reduce its exposure to changes in foreign currency exchange rates that affect the value of its firm commitments and certain anticipated foreign currency cash flows. These contracts generally mature within the calendar year. The Company does not enter into foreign currency contracts for speculative purposes. To date, the contracts utilized have been purchased options and forward contracts. A forward contract is an agreement between two parties to exchange a specified amount of foreign currency, at a specified exchange rate on a specified future date. An option contract provides the right, but not the obligation, to buy or sell currency at a fixed exchange rate on a future date. The foreign exchange contracts have principally been used to hedge the British Pound, the Australian Dollar, the Japanese Yen, the Canadian Dollar, the French Franc, the Singapore Dollar, the German Deutschemark and the European Currency Unit/British Pound relationship. At December 31, 1996, the Company had outstanding contracts with a notional value of approximately \$52.0 million which expire in 1997 and 1998. Realized gains and losses on contracts that hedge anticipated future cash flows are recognized in "Other Items, Net" and were not material in each of the periods. Option premiums are expensed at the inception of the contract. Deferred gains and losses on foreign currency exchange contracts as of December 31, 1996 were not material.

The Company continually monitors its positions with, and credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties. The Company's receivables do not represent significant concentrations of credit risk at December 31, 1996, due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

9) SHAREHOLDERS' EQUITY

On September 5, 1996 the Company, together with NAI, initiated a joint purchase program for each to acquire up to \$250 million, or \$500 million in total, of the Company's Class A Common Stock, Class B Common Stock, and, as to the Company, Viacom Warrants. As of December 31, 1996, the Company repurchased 658,200 shares of Class A Common Stock, 5,594,600 shares of Class B Common Stock and 5,450,390 Viacom Five-Year Warrants, expiring on July 7, 1999, for approximately \$240.2 million in the aggregate. The cost of the acquired treasury stock has been reflected separately as a reduction to shareholders' equity. The cost of the warrants has been reflected as a reduction to additional paid-in-capital. As of December 31, 1996, NAI has separately acquired 1,282,200 shares of Class A Common Stock and 5,602,000 shares of Class B Common Stock pursuant to the joint purchase program for approximately \$249.6 million, raising its ownership to approximately 67% of Class A Common Stock and approximately 28% of Class A and Class B Common Stock on a combined basis.

VIACOM INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
 (Tabular dollars in millions, except per share amounts)

On September 29, 1995 the VCRs matured. The Company issued approximately 6.1 million shares of Viacom Inc. Class B Common Stock, or .022665 of a share of Viacom Inc. Class B Common Stock per VCR, to settle its obligation under the VCRs.

On July 7, 1995 the CVRs matured. The Company paid approximately \$81.9 million in cash, or approximately \$1.44 per CVR, to settle its obligation under the CVRs.

During March 1994, Blockbuster purchased 22.7 million shares of Viacom Inc. Class B Common Stock at a price of \$55 per share. The common stock was canceled upon consummation of the Blockbuster Merger.

NYNEX Corporation owns 24 million shares of cumulative convertible preferred stock, par value \$.01 per share, of the Company ("Preferred Stock") valued at \$1.2 billion. Preferred Stock has a liquidation preference of \$50 per share, an annual dividend rate of 5%, is convertible into shares of Viacom Inc. Class B Common Stock at a conversion price of \$70 and does not have voting rights other than those required by law. The Preferred Stock is redeemable by the Company at declining premiums after November 1998.

At December 31, 1996 and 1995, respectively, there were 30,576,562 and 30,563,773 outstanding Viacom Three-Year Warrants, expiring July 7, 1997 and there were 12,889,316 and 18,332,028 outstanding Viacom Five-Year Warrants, expiring July 7, 1999. The decrease in the outstanding Viacom Five-Year Warrants is primarily attributable to the stock repurchase program initiated in 1996.

Long-Term Incentive Plans - The purpose of the Company's 1989 and 1994 Long-Term Incentive Plans (the "Plans") is to benefit and advance the interests of the Company by rewarding certain key employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future. The Plans provide for fixed grants of equity-based interests pursuant to awards of phantom shares, stock options, stock appreciation rights, restricted shares or other equity-based interests ("Awards"), and for subsequent payments of cash with respect to phantom shares or stock appreciation rights based, subject to certain limits, on their appreciation in value over stated periods of time. The stock options generally vest over a four to six year period from the date of grant and expire 10 years after the date of grant.

The stock options available for future grant are as follows:

December 31, 1994	6,143,638
December 31, 1995	7,229,853
December 31, 1996	20,350,841(a)

(a) Includes 20,000,000 shares available for grant pending shareholder approval at the Viacom Annual Meeting of Shareholders on May 29, 1997.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

Each of the unexercised stock options to purchase Paramount or Blockbuster common stock that was outstanding at the time of the respective mergers automatically became options to purchase the merger consideration applicable to the stock option under the same price and terms, except that, for employees of Paramount who were employees on the date of the Paramount Merger, additional Viacom Inc. Class B Common Stock valued in July 1995, will be issued on exercise of such options as consideration for the cash portion of the blended purchase price per share of Paramount that was not reflected in the Merger consideration because of the transaction structure. These options generally became vested upon the effective date of the Merger, and are exercisable over a three to five year period and expire 10 years after the date of grant.

The Company has adopted the disclosure-only provisions of SFAS 123, "Accounting for Stock-Based Compensation". In accordance with the provisions of SFAS 123, the Company applies APB 25 "Accounting for Stock Issued to Employees" and related interpretations in accounting for the Plans and accordingly, does not recognize compensation expense for its stock option plans because the Company typically does not issue options at exercise prices below the market value at date of grant. Had compensation expense for its stock option plans been determined based upon the fair value at the grant date for awards consistent with the methodology prescribed by SFAS 123, the Company's consolidated pretax income would have decreased by \$18.3 million (\$11.0 million after tax or \$.03 per share) and \$.8 million (\$.5 million after tax) in 1996 and 1995, respectively. The 1995 earnings per share effect was not material. These pro forma effects may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1996	1995
	-----	-----
Expected dividend yield(a)	--	--
Expected stock price volatility	32.50%	32.04%
Risk-free interest rate	6.19%	5.80%
Expected life of options (years)	6.0	6.0

(a) During 1996 and 1995, the Company has not declared any cash dividends on its common stock.

The weighted-average fair value of each option as of the grant date was \$16.27 and \$20.44, in 1996 and 1995, respectively.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The following table summarizes the Company's stock option activity under the various plans:

	Options Outstanding -----	Weighted-Average Exercise Price -----
Balance at December 31, 1993	3,973,057	\$32.62
Granted	3,931,562	36.35
Assumed in connection with the Mergers	19,955,783	28.71
Exercised	(1,336,751)	26.82
Canceled	(1,508,535)	37.84
Balance at December 31, 1994	25,015,116	30.08
Granted	295,184	46.61
Exercised	(5,312,711)	28.58
Canceled	(1,429,268)	31.09
Balance at December 31, 1995	18,568,321	30.70
Granted	6,263,800	37.51
Exercised	(3,838,649)	30.35
Canceled	(1,347,965)	37.55
Balance at December 31, 1996	19,645,507	32.47

The following table summarizes information concerning currently outstanding and exercisable stock options of the Company at December 31, 1996:

Range of Exercise Prices -----	Options Outstanding -----	Remaining Contractual Life (Years) -----	Weighted- Average Exercise Price -----	Options Exercisable -----	Weighted- Average Exercise Price -----
\$20 to \$30	1,723,293	3.8	\$26.06	1,723,293	\$26.06
30 to 40	8,884,012	8.6	35.81	1,742,046	34.46
40 to 50	1,056,666	8.6	43.77	296,666	41.43
50 to 60	948,775	7.1	53.88	641,084	54.13
5 to 50(a)	6,019,976(a)	6.2	30.29	6,019,976	30.29
30 to 60(b)	1,012,785(b)	6.8	43.01	820,155	43.07
	----- 19,645,507 =====			----- 11,243,220 =====	

(a) Represents information for options assumed with the merger of Blockbuster.

(b) Represents information for options assumed with the merger of Paramount.

Shares issuable under exercisable stock options:

December 31, 1994.....	18,110,234
December 31, 1995.....	13,120,626
December 31, 1996.....	11,243,220

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The Company has reserved a total of 850,372 shares of Viacom Inc. Class A Common Stock and 35,937,993 shares of Viacom Inc. Class B Common Stock principally for exercise of stock options and warrants, and the conversion of the Preferred Stock.

Spelling Stock Option Plans - Spelling has stock option plans under which both incentive and nonqualified stock options have been granted to certain key employees, consultants and directors. Options have generally been granted with an exercise price equal to the fair market value of the underlying common stock on the date of grant, although nonqualified options may be granted with an exercise price not less than 50% of such fair market value. Each option is granted subject to various terms and conditions established on the date of grant, including vesting periods and expiration dates. The options typically become exercisable at the rate of 20% or 25% annually, beginning one year after the date of grant. Options must expire no later than 10 years from their date of grant.

The Spelling stock options available for future grant are as follows:

December 31, 1994	2,905,542
December 31, 1995	3,158,343
December 31, 1996	5,094,251(a)(b)

- (a) Includes 5,000,000 shares available for grant pending shareholder approval of an increase to the number of shares available for grant under the plans at the Annual Meeting of Shareholders on May 21, 1997.
- (b) Includes 1,360,866 shares available for grant under a plan which expires on April 13, 1997.

The fair value of each Spelling option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1996	1995
	-----	-----
Expected dividend yield(c)	--	--
Expected stock price volatility	28.45%	29.91%
Risk-free interest rate	6.60%	6.88%
Expected life of options (years)	4.8	4.8

- (c) During 1996 and 1995, Spelling has not declared any cash dividends on its common stock.

The weighted-average fair value of each option as of the grant date was \$2.66 and \$3.89 for 1996 and 1995, respectively.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The following table summarizes Spelling's stock option activity:

	Options Outstanding	Weighted-Average Exercise Price
	-----	-----
Balance at December 31, 1993	3,749,262	\$ 6.34
Granted	4,859,181	7.72
Exercised	(1,463,429)	6.00
Canceled	(21,345)	7.06

Balance at December 31, 1994	7,123,669	7.23

Granted	200,000	10.31
Exercised	(974,649)	6.04
Canceled	(589,802)	6.84

Balance at December 31, 1995	5,759,218	7.72

Granted	3,750,010(a)	7.13
Exercised	(841,943)	4.91
Canceled	(688,967)	7.02

Balance at December 31, 1996	7,978,318	7.80

(a) Includes 1,622,500 shares granted pending shareholder approval of an increase to the number of shares available for grant under the plans at the Annual Meeting of Shareholders on May 21, 1997.

The following table summarizes Spelling's information concerning currently outstanding and exercisable stock options at December 31, 1996:

Range of Exercise Prices	Options Outstanding	Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Options Exercisable	Weighted- Average Exercise Price
-----	-----	-----	-----	-----	-----
\$0.12 to \$5.83	285,376	3.01	\$ 4.93	285,376	\$4.93
6.00 to 7.25	5,325,774	7.78	6.88	1,622,101	6.37
7.38 to 10.50	956,149	7.32	9.24	484,190	9.22
10.75 to 19.28	1,411,019	7.68	10.91	687,769	10.94
	-----			-----	
	7,978,318			3,079,436	
	=====			=====	

Shares issuable under exercisable stock options:

December 31, 1994.....	1,069,847
December 31, 1995.....	2,694,082
December 31, 1996.....	3,079,436

Options related to employees of Virgin and included in the tables above are 875,010, 387,000 and 2,265,806 shares granted, 775,220, 643,003 and 241,164 shares exercised, and 149,921, 140,189 and 20,520 shares terminated for 1996, 1995 and 1994, respectively.

VIACOM INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
 (Tabular dollars in millions, except per share amounts)

10) INCOME TAXES

Earnings from continuing operations before income taxes are attributable to the following jurisdictions:

	Year Ended December 31,		
	1996	1995	1994
United States	\$ 194.3	\$ 306.9	\$ 78.2
Foreign	286.2	272.9	197.3
Total	\$ 480.5	\$ 579.8	\$ 275.5

Components of the provision for income taxes on earnings from continuing operations before income taxes are as follows:

	Year Ended December 31,		
	1996	1995	1994
Current:			
Federal	\$ 194.1	\$ 32.2	\$ 88.5
State and local	36.8	48.1	74.9
Foreign	81.5	64.1	59.3
	312.4	144.4	222.7
Deferred	(16.9)	222.7	11.0
	\$ 295.5	\$ 367.1	\$ 233.7

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The earnings (loss) of affiliated companies accounted for under the equity method are shown net of tax on the Company's Statements of Operations. The tax provision (benefits) relating to earnings (loss) from equity investments in 1996, 1995 and 1994 are \$14.9 million, (\$22.7) million and \$9.8 million, respectively, which represents an effective tax rate of 762.1%, 29.6% and 35.0%, respectively. The difference between the effective tax rates and the federal statutory tax rate of 35% is principally due to the effect of nondeductible goodwill amortization and state and local taxes related to equity earnings (loss). See Notes 3 and 7 for tax benefits relating to the discontinued operations and extraordinary losses, respectively. In addition to the amounts reflected in the table above, \$15.3 million and \$35.8 million of income tax benefit in 1996 and 1995, respectively, was recorded as a component of shareholders' equity as a result of exercised stock options.

A reconciliation of the U.S. Federal statutory tax rate to the Company's effective tax rate on earnings from continuing operations before income taxes is summarized as follows:

	Year Ended December 31,		
	----- 1996 -----	----- 1995 -----	----- 1994 -----
Statutory U.S. tax rate	35.0%	35.0%	35.0%
State and local taxes, net			
of federal tax benefit	3.1	4.4	9.1
Effect of foreign operations	(13.0)	(4.8)	.1
Amortization of intangibles	29.3	23.9	32.9
Divestiture tax versus book .....	.9	.5	2.1
Other, net	6.2	4.3	5.6
	-----	-----	-----
Effective tax rate on earnings from continuing operations before income taxes	61.5%	63.3%	84.8%
	=====	=====	=====

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The following is a summary of the components of the deferred tax accounts:

	Year Ended December 31,	
	1996	1995
Current deferred tax assets and (liabilities):		
Recognition of revenue	\$ 70.1	\$ 68.4
Sales return and allowances	89.3	100.6
Publishing costs	11.7	37.8
Employee compensation and other payroll related expenses ...	37.9	37.5
Other differences between tax and financial statement values	5.5	2.1
	214.5	246.4
Noncurrent deferred tax assets and (liabilities):		
Depreciation/amortization of fixed assets and intangibles ..	(90.7)	(138.5)
Reserves including restructuring and relocation charges	253.1	285.1
Program costs	(17.4)	(17.4)
Acquired net operating loss and tax credit carryforwards ...	86.7	105.4
Amortization of discount on 8% Merger Debentures	72.8	78.5
Recognition of revenue	23.5	24.8
Other differences between tax and financial statement values	76.4	125.0
	404.4	462.9
Valuation allowance	(81.8)	(81.8)
	\$ 537.1	\$ 627.5
	=====	=====

As of December 31, 1996 and December 31, 1995, the Company had total deferred tax assets of \$727.0 million and \$865.2 million, respectively, and total deferred tax liabilities of \$108.1 million and \$155.9 million, respectively.

As of December 31, 1996, the Company had net operating loss carryforwards of approximately \$238.9 million which expire in various years from 1997 through 2011. The Company has a general business credit carry forward of approximately \$3.7 million which expires by the year 2010.

The 1996 and 1995 net deferred tax asset is reduced by a valuation allowance of \$81.8 million principally relating to tax benefits of net operating loss and tax credit carryforwards which are not expected to be recognized as a result of limitations applied where there is a change of ownership.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The Company's share of the undistributed earnings of foreign subsidiaries not included in its consolidated Federal income tax return that could be subject to additional income taxes if remitted, was approximately \$1.3 billion and \$1.1 billion at December 31, 1996 and December 31, 1995, respectively. No provision has been recorded for the U.S. or foreign taxes that could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings outside the United States indefinitely and it is not practicable to estimate the amount of such taxes.

11) PENSION PLANS, OTHER POSTRETIREMENT BENEFITS AND POSTEMPLOYMENT BENEFITS

The Company and certain of its subsidiaries have non-contributory pension plans covering specific groups of employees. Effective January 1, 1996, the pension plans of Paramount were merged with the Company's pension plans. The benefits for these plans are based primarily on an employee's years of service and pay near retirement. Participant employees are vested in the plans after five years of service. The Company's policy for all pension plans is to fund amounts in accordance with the Employee Retirement Income Security Act of 1974. Plan assets consist principally of common stocks, marketable bonds and United States government securities. The Company's Class B Common Stock represents approximately 8% of the plan assets at both December 31, 1996 and 1995.

Net periodic pension cost consists of the following components:

	Year Ended December 31,		
	1996	1995	1994
Service cost -- benefits earned during the period	\$ 31.1	\$ 25.2	\$ 22.1
Interest cost on projected benefit obligation	50.6	48.9	33.4
(Actual return) loss on plan assets	(65.9)	(108.9)	2.9
Net amortization and deferral	18.1	66.8	(37.1)
	-----	-----	-----
Net periodic pension cost	\$ 33.9	\$ 32.0	\$ 21.3

During 1996, the Company split-off its Cable segment, affecting participants in its pension plans. The curtailment gains reduced pension cost by \$2.9 million.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The funded status of the pension plans for the periods indicated is as follows:

	December 31,			
	1996		1995	
	Accumulated Benefits Exceed Assets -----	Assets Exceed Accumulated Benefits -----	Accumulated Benefits Exceed Assets -----	Assets Exceed Accumulated Benefits -----
Actuarial present value of benefit obligations:				
Accumulated benefit obligation:				
Vested	\$(64.5)	\$(506.4)	\$(96.9)	\$(454.6)
Non-vested	(2.3)	(22.7)	(3.4)	(15.5)
Total	\$ <u>(66.8)</u>	\$ <u>(529.1)</u>	\$ <u>(100.3)</u>	\$ <u>(470.1)</u>
Projected benefit obligation	\$78.8	\$(589.0)	\$(132.1)	\$(542.0)
Plan assets at fair value .....	.9	605.3	43.0	503.9
Projected benefit obligation less than (in excess of) plan assets	(77.9)	16.3	(89.1)	(38.1)
Unrecognized net (gain) losses	1.9	(56.7)	18.7	2.4
Unrecognized prior service cost	14.2	(15.3)	3.2	(12.7)
Unrecognized transition obligation	3.2	(7.9)	3.5	(9.8)
Adjustment to recognize minimum liability	(8.3)	--	(8.5)	--
Pension liability at year end	\$ <u>(66.9)</u>	\$ <u>(63.6)</u>	\$ <u>(72.2)</u>	\$ <u>(58.2)</u>

The following assumptions were used in accounting for the pension plans:

	1996	1995	1994
Discount rate	7.75%	7.25%	8.5%
Expected return on plan assets	9.5%	9.5%	9.0-10.0%
Rate of increase in future compensation	5.0%	5.0-5.5%	5.0-6.0%

In addition, the Company contributes to multiemployer pension plans which provide benefits to certain employees under collective bargaining agreements. The pension expense for these plans was \$27.8 million (1996) and \$18.0 million (1995).

The Company sponsors a welfare plan which provides certain postretirement health care and life insurance benefits to retired employees and their covered dependents who are eligible for these benefits if they meet certain age and service requirements. The welfare plan is contributory and contains cost-sharing features such as deductibles and coinsurance which are adjusted annually. The plan is not funded. The Company continues to fund these benefits as claims are paid.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

The components of the accumulated postretirement benefit obligation are as follows:

	December 31,	
	1996	1995
Accumulated postretirement benefit obligation attributable to:		
Current retirees	\$ 86.0	\$ 98.5
Fully eligible active plan participants	17.6	15.7
Other active plan participants	6.0	40.5
Prior service cost	28.3	--
Unrecognized net gain	27.1	13.6
Accumulated postretirement benefit obligation	\$ 165.0	\$ 168.3

The components of net periodic postretirement benefit cost are as follows:

	December 31,		
	1996	1995	1994
Service costs-benefits earned	\$ 1.0	\$ 3.8	\$ 4.4
Interest cost on accumulated postretirement benefit obligation	8.1	10.8	9.5
Prior service cost	(3.2)	--	--
Amortization of gain	(1.3)	(1.4)	--
Net periodic postretirement benefit cost	\$ 4.6	\$ 13.2	\$ 13.9

The following assumptions were used in accounting for post retirement benefits:

Projected health care cost trend rate	9%	11%	12%
Ultimate trend rate	5.5%	5.5%	5.5%
Year ultimate trend rate is achieved	1999	2001	2001
Discount rate	7.75%	7.25%	8.5%
Effect of a 1% point increase in the health care cost trend rate:			
Postretirement benefit obligation	\$ 9.6	\$ 20.6	\$ 19.9
Aggregate of service and interest cost	\$ 0.8	\$ 2.4	\$ 2.6

In addition, the Company contributed to multiemployer plans which provide health and welfare benefits to active as well as retired employees. The Company had costs of \$12.5 million and \$12.1 million related to these benefits during the years ended December 31, 1996 and 1995.

In 1994, the Company adopted SFAS 112, "Employers' Accounting For Postemployment Benefits". SFAS 112 did not have a significant effect on the Company's consolidated financial position or results of operations.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

12) COMMITMENTS AND CONTINGENCIES

The Company has long-term noncancelable lease commitments for retail and office space and equipment, transponders, studio facilities and vehicles.

At December 31, 1996, minimum rental payments under noncancelable leases are as follows:

	Leases	
	Operating	Capital
1997.....	\$ 607.2	\$ 118.6
1998.....	558.3	126.1
1999.....	489.2	127.0
2000.....	443.0	103.7
2001.....	346.2	85.8
2002 and thereafter.....	1,475.4	267.8
	-----	-----
Total minimum lease payments.....	\$ 3,919.3	829.0
	=====	
Less amounts representing interest.....		(257.8)

Present value of net minimum payments.....		\$ 571.2
		=====

The Company has also entered into capital leases for transponders with future minimum commitments commencing in future periods of approximately \$196.8 million payable over the next fifteen years. Such commitments are contingent upon the successful operation of satellites. Future minimum capital lease payments have not been reduced by future minimum sublease rentals of \$63.9 million. Rent expense amounted to \$501.1 million (1996), \$475.2 million (1995) and \$232.1 million (1994).

The commitments of the Company for program license fees, which are not reflected in the balance sheet as of December 31, 1996 and are estimated to aggregate approximately \$1.7 billion, principally reflect commitments of approximately \$1.5 billion under Showtime Networks Inc.'s ("SNI's") exclusive arrangements with several motion picture companies. This estimate is based upon a number of factors. A majority of such fees are payable over several years, as part of normal programming expenditures of SNI. These commitments are contingent upon delivery of motion pictures which are not yet available for premium television exhibition and, in many cases, have not yet been produced.

There are various lawsuits and claims pending against the Company. Management believes that any ultimate liability resulting from those actions or claims will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

Certain subsidiaries and affiliates of the Company from time to time receive claims from federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup costs and related damages, principally relating to discontinued operations conducted by its former mining and manufacturing businesses (acquired as part of the Mergers). The Company has recorded a liability reflecting its best estimate of environmental exposure. Such liability was not 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.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

13) BUSINESS SEGMENTS

	Year Ended or at December 31,		
	1996	1995	1994
	-----	-----	-----
Revenues:			
Networks and Broadcasting	\$ 2,404.0	\$ 2,030.8	\$ 1,754.0
Entertainment	3,493.4	3,407.5	2,112.2
Video and Music/Theme Parks	3,920.4	3,333.4	1,070.4
Publishing	2,331.7	2,171.1	1,786.4
Intercompany elimination	(65.3)	(26.9)	(21.6)
	-----	-----	-----
Total revenues	\$12,084.2	\$10,915.9	\$ 6,701.4
	=====	=====	=====
Operating income:			
Networks and Broadcasting	\$ 630.2	\$ 520.3	\$ 322.3
Entertainment	326.6	354.8	(77.2)
Video and Music/Theme Parks	273.1	501.5	199.5
Publishing	217.2	186.3	193.9
Corporate	(172.8)	(164.2)	(132.6)
	-----	-----	-----
Total operating income	\$ 1,274.3	\$ 1,398.7	\$ 505.9
	=====	=====	=====
Depreciation and amortization:			
Networks and Broadcasting	\$ 125.1	\$ 107.6	\$ 86.8
Entertainment	128.1	126.1	90.5
Video and Music/Theme Parks	403.5	321.5	90.4
Publishing	148.0	153.9	103.0
Corporate	12.9	7.6	5.3
	-----	-----	-----
Total depreciation and amortization	\$ 817.6	\$ 716.7	\$ 376.0
	=====	=====	=====
Identifiable assets at year end:			
Networks and Broadcasting	\$ 4,053.3	\$ 4,417.8	\$ 4,115.2
Entertainment	8,096.4	7,920.1	8,171.8
Video and Music/Theme Parks	10,156.8	9,611.3	9,189.6
Publishing	5,405.1	5,343.7	5,194.7
Corporate	833.0	634.5	572.3
Net assets of discontinued operations	289.4	--	--
Cable television systems	--	1,063.6	1,030.1
	-----	-----	-----
Total identifiable assets at year end ..	\$28,834.0	\$28,991.0	\$28,273.7
	=====	=====	=====
Capital expenditures:			
Networks and Broadcasting	\$ 98.1	\$ 58.2	\$ 53.8
Entertainment	56.0	58.1	19.6
Video and Music/Theme Parks	358.4	388.5	145.9
Publishing	37.3	52.4	34.5
Corporate	48.8	54.1	11.3
Cable television systems	--	119.3	99.8
	-----	-----	-----
Total capital expenditures	\$ 598.6	\$ 730.6	\$ 364.9
	=====	=====	=====

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

14) OPERATIONS BY GEOGRAPHIC AREA

	Year ended or at December 31,		
	1996	1995	1994
	-----	-----	-----
Revenues:			
United States	\$ 9,514.7	\$ 8,887.1	\$ 5,441.5
United States export sales	282.8	215.2	137.4
International	2,286.7	1,813.6	1,122.5
	-----	-----	-----
Total revenues	\$12,084.2	\$10,915.9	\$ 6,701.4
	=====	=====	=====
Operating income:			
United States	\$ 981.7	\$ 1,179.7	\$ 329.2
International	292.6	219.0	176.7
	-----	-----	-----
Total operating income	\$ 1,274.3	\$ 1,398.7	\$ 505.9
	=====	=====	=====
Identifiable assets at year end:			
United States	\$25,578.7	\$26,111.6	\$25,876.1
Other	3,255.3	2,879.4	2,397.6
	-----	-----	-----
Total identifiable assets	\$28,834.0	\$28,991.0	\$28,273.7
	=====	=====	=====

Intercompany transfers between geographic areas are not significant.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

15) QUARTERLY FINANCIAL DATA (unaudited):

Summarized quarterly financial data for 1996 and 1995 appears below:

1996 (1)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenue.....	\$ 2,623.4	\$ 2,785.0	\$ 3,266.4	\$ 3,409.4	\$12,084.2
Operating income(2).....	\$ 255.7	\$ 274.9	\$ 493.7	\$ 250.0	\$ 1,274.3
Earnings from continuing operations.....	\$ 19.4	\$ 25.5	\$ 108.6	\$ 17.2	\$ 170.7
Net earnings (loss)(3).....	\$ 27.8	\$ 41.1	\$ 1,406.4	\$ (227.4)	\$ 1,247.9
Net earnings (loss) attributable to common stock(3)....	\$ 12.8	\$ 26.1	\$ 1,391.4	\$ (242.4)	\$ 1,187.9
Primary net earnings (loss) per common share:					
Earnings from continuing operations(4).....	\$.01	\$.03	\$.26	\$.01	\$.30
Net earnings (loss).....	\$.03	\$.07	\$ 3.82	\$ (.68)	\$ 3.23
Fully diluted net earnings (loss) per common share:					
Earnings from continuing operations(4).....	\$.01	\$.03	\$.28	\$.01	\$.30
Net earnings (loss).....	\$.03	\$.07	\$ 3.69	\$ (.68)	\$ 3.23
Weighted average number of common shares:					
Primary.....	374.7	376.0	364.0	354.9	367.4
Fully diluted.....	375.0	376.0	381.4	354.9	367.5
 1995 (1)					
Revenue(5).....	\$ 2,532.8	\$ 2,698.5	\$ 2,880.5	\$ 2,804.1	\$10,915.9
Operating income(5).....	\$ 312.8	\$ 362.5	\$ 473.2	\$ 250.2	\$ 1,398.7
Earnings (loss) from continuing operations(6).....	\$ 36.2	\$ 39.9	\$ 86.3	\$ (11.9)	\$ 150.5
Net earnings(6).....	\$ 71.2	\$ 53.0	\$ 93.8	\$ 4.5	\$ 222.5
Net earnings (loss) attributable to common stock.....	\$ 56.2	\$ 38.0	\$ 78.8	\$ (10.5)	\$ 162.5
Primary and fully diluted net earnings (loss) per common share:					
Earnings (loss) from continuing operations.....	\$.06	\$.06	\$.19	\$ (.07)	\$.24
Net earnings (loss).....	\$.15	\$.10	\$.21	\$ (.03)	\$.43
Weighted average number of common shares:					
Primary(7).....	384.9	386.1	376.1	369.2	375.1
Fully diluted(7).....	385.3	386.8	376.4	369.2	375.5

The timing of the Company's results of operations is affected by the seasonality of the educational publishing business, the typical timing of major motion picture releases, the summer operation of the theme parks, the positive effect of the holiday season on advertising and video store revenues, and the impact of the broadcasting television season on television production.

- (1) The first three quarters of 1996 and all four quarters of 1995 results have been adjusted for the effect of discontinued operations (See Note 3).
- (2) The fourth quarter of 1996 included a \$88.9 million restructuring charge for Blockbuster (See Note 4).
- (3) The third quarter and fourth quarter of 1996 included a gain of \$1,304.3 million and a loss of \$146.6 million, respectively, related to discontinued operations.
- (4) For the quarter ended September 30, 1996, fully diluted earnings from continuing operations per share exceeds primary earnings from continuing operations per share due to the assumed conversion of preferred stock which is dilutive to net earnings per share, therefore, the sum of the quarterly earnings per share will not equal the full year earnings per share.
- (5) The first quarter of 1995 included \$250.0 million of revenues and \$68.0 million of operating income resulting from the conforming of accounting principles pertaining to the television programming libraries of Viacom Entertainment, Spelling and Paramount.
- (6) The fourth quarter of 1995 included an after-tax equity loss of \$31.5 million related to Discovery Zone.
- (7) The first and second quarters of 1995 included shares of common stock potential issuance of common stock under CVRs. The CVRs were settled in cash on July 7, 1995 (See Note 2).

VIACOM INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
 (Tabular dollars in millions, except per share amounts)

16) OTHER ITEMS, NET

On April 4, 1994, Viacom International sold its one-third partnership interest in Lifetime for approximately \$317.6 million, which resulted in a pre-tax gain of approximately \$267.4 million in the second quarter of 1994. Proceeds from the sale reduced outstanding debt.

17) SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,		
	1996	1995	1994
Cash payments for interest net of amounts capitalized	\$808.0	\$925.9	\$ 293.6
Cash payments for income taxes	193.0	485.7	135.2
Supplemental schedule of non-cash financing and investing activities:			
Equipment acquired under capitalized leases	211.1	314.5	47.6
Settlement of VCRs with Class B Common Stock	--	402.6	--
Shares retired with Cable Split-off	625.8	--	--
Paramount Merger Consideration	--	--	3,175.0
Blockbuster Merger Consideration	--	--	7,622.8
Cancellation of Preferred Stock and Viacom Inc. Class B Common Stock issued to Blockbuster	--	--	1,850.0

18) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Viacom International is a wholly owned subsidiary of the Company. The Company has fully and unconditionally guaranteed Viacom International debt securities (See Note 7). 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 (in each case carrying investments in Non-Guarantor Affiliates under the equity method), 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. Certain Non-Guarantor subsidiaries of the Company previously included in the Viacom Inc. column are now properly reflected in the Non-Guarantor Affiliates column. Prior periods reflect this presentation.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1996				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	\$ --	\$ 1,193.7	\$10,917.8	\$ (27.3)	\$12,084.2
Expenses:					
Operating	--	373.5	7,259.1	(27.3)	7,605.3
Selling, general and administrative	(0.3)	470.1	1,828.3	--	2,298.1
Restructuring charge	--	--	88.9	--	88.9
Depreciation and amortization	--	60.9	756.7	--	817.6
Total expenses	(0.3)	904.5	9,933.0	(27.3)	10,809.9
Operating income	0.3	289.2	984.8	--	1,274.3
Other income (expense):					
Interest expense, net	(627.7)	(102.5)	(67.8)	--	(798.0)
Other items, net	--	(0.1)	4.3	--	4.2
Earnings (loss) from continuing operations before income taxes	(627.4)	186.6	921.3	--	480.5
Benefit (provision) for income taxes	259.3	(84.0)	(470.8)	--	(295.5)
Equity in earnings (loss) of affiliated companies, net of tax	1,613.0	77.2	42.6	(1,745.8)	(13.0)
Minority interest	--	(1.2)	(0.1)	--	(1.3)
Earnings from continuing operations	1,244.9	178.6	493.0	(1,745.8)	170.7
Earnings (loss) from discontinued operations, net of tax	3.0	2.5	(86.0)	--	(80.5)
Net gain on discontinued operations, net of tax	--	1,292.0	(134.3)	--	1,157.7
Net earnings	1,247.9	1,473.1	272.7	(1,745.8)	1,247.9
Cumulative convertible preferred stock dividend requirement	(60.0)	--	--	--	(60.0)
Net earnings attributable to common stock	\$ 1,187.9	\$ 1,473.1	\$ 272.7	\$(1,745.8)	\$ 1,187.9

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1995				
	Viacom Inc.	Viacom International	Non- Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	\$ --	\$ 947.4	\$ 9,979.2	\$ (10.7)	\$10,915.9
Expenses:					
Operating	--	309.6	6,390.6	(10.7)	6,689.5
Selling, general and administrative	4.2	412.2	1,694.6	--	2,111.0
Depreciation and amortization	--	47.8	668.9	--	716.7
Total expenses	4.2	769.6	8,754.1	(10.7)	9,517.2
Operating income	(4.2)	177.8	1,225.1	--	1,398.7
Other income (expense):					
Interest expense, net	(653.3)	(98.1)	(57.9)	--	(809.3)
Other items, net	--	1.7	(11.3)	--	(9.6)
Earnings (loss) from continuing operations before income taxes	(657.5)	81.4	1,155.9	--	579.8
Benefit (provision) for income taxes	282.8	(44.8)	(605.1)	--	(367.1)
Equity in earnings (loss) of affiliated companies, net of tax	593.9	150.7	(18.2)	(779.3)	(52.9)
Minority interest	--	(.7)	(8.6)	--	(9.3)
Earnings from continuing operations	219.2	186.6	524.0	(779.3)	150.5
Earnings (loss) from discontinued operations, net of tax	3.3	(11.2)	79.9	--	72.0
Net earnings	222.5	175.4	603.9	(779.3)	222.5
Cumulative convertible preferred stock dividend requirement	(60.0)	--	--	--	(60.0)
Net earnings attributable to common stock	<u>\$ 162.5</u>	<u>\$ 175.4</u>	<u>\$ 603.9</u>	<u>\$ (779.3)</u>	<u>\$ 162.5</u>

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1994				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	\$ --	\$ 943.0	\$ 5,771.6	\$ (13.2)	\$ 6,701.4
Expenses:					
Operating	--	577.9	3,544.7	(13.2)	4,109.4
Selling, general and administrative	(0.9)	378.6	1,332.4	--	1,710.1
Depreciation and amortization	--	44.9	331.1	--	376.0
Total expenses	(0.9)	1,001.4	5,208.2	(13.2)	6,195.5
Operating income	0.9	(58.4)	563.4	--	505.9
Other income (expense):					
Interest expense, net	(324.0)	(77.1)	(90.5)	--	(491.6)
Other items, net	--	267.2	(6.0)	--	261.2
Earnings (loss) from continuing operations before income taxes	(323.1)	131.7	466.9	--	275.5
Benefit (provision) for income taxes	109.8	(48.7)	(294.8)	--	(233.7)
Equity in earnings of affiliated companies, net of tax	309.9	51.8	25.4	(367.9)	19.2
Minority interest	--	(0.2)	16.2	--	16.0
Earnings from continuing operations	96.6	134.6	213.7	(367.9)	77.0
Earnings (loss) from discontinued operations, net of tax	1.4	(9.3)	40.9	--	33.0
Extraordinary loss, net of tax	(8.4)	(12.0)	--	--	(20.4)
Net earnings	89.6	113.3	254.6	(367.9)	89.6
Cumulative convertible preferred stock dividend requirement	(75.0)	--	--	--	(75.0)
Net earnings attributable to common stock	\$ 14.6	\$ 113.3	\$ 254.6	\$ (367.9)	\$ 14.6

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1996				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	\$ 19.0	\$ 61.2	\$ 128.8	\$ --	\$ 209.0
Receivables, net	--	308.6	1,878.1	(33.6)	2,153.1
Inventory	--	135.5	2,206.9	--	2,342.4
Other current assets	--	117.2	580.3	26.3	723.8
Net assets of discontinued operations	47.3	41.3	200.8	--	289.4
Total current assets	66.3	663.8	4,994.9	(7.3)	5,717.7
Property and equipment	--	458.1	3,431.6	--	3,889.7
Less accumulated depreciation	--	96.6	637.3	--	733.9
Net property and equipment	--	361.5	2,794.3	--	3,155.8
Inventory	--	233.8	2,385.6	--	2,619.4
Intangibles, at amortized cost	--	550.0	14,344.2	--	14,894.2
Investments in consolidated subs	7,536.8	10,773.2	--	(18,310.0)	--
Other assets	74.2	313.3	2,107.6	(48.2)	2,446.9
	\$ 7,677.3	\$12,895.6	\$26,626.6	(\$18,365.5)	\$28,834.0
Liabilities and Shareholders' Equity					
Current Liabilities:					
Accounts payable	\$ --	\$ 40.3	\$ 785.1	\$ (16.6)	\$ 808.8
Accrued compensation	--	118.8	308.4	(1.5)	425.7
Participants share, residuals and royalties payable	--	--	856.6	--	856.6
Current portion of long-term debt ...	--	7.3	55.3	--	62.6
Accrued expenses and other	282.2	1,227.3	1,174.3	(568.8)	2,115.0
Total current liabilities	282.2	1,393.7	3,179.7	(586.9)	4,268.7
Long-term debt	6,844.0	2,159.0	952.7	(100.0)	9,855.7
Other liabilities	(12,665.3)	(3,711.5)	21,178.3	(2,686.3)	2,115.2
Shareholders' equity:					
Convertible Preferred Stock	1,200.0	--	--	--	1,200.0
Common Stock	3.5	157.6	770.1	(927.6)	3.6
Additional paid-in capital	10,226.9	8,944.0	1,056.7	(9,985.5)	10,242.1
Retained earnings	2,009.6	3,917.5	(486.9)	(4,079.2)	1,361.0
Cumulative translation adjustment ...	--	35.3	(24.0)	--	11.3
	13,440.0	13,054.4	1,315.9	(14,992.3)	12,818.0
Less treasury stock, at cost	223.6	--	--	--	223.6
Total shareholders' equity ..	13,216.4	13,054.4	1,315.9	(14,992.3)	12,594.4
	\$ 7,677.3	\$12,895.6	\$26,626.6	(\$18,365.5)	\$28,834.0

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1995				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	\$ 47.4	\$ 223.3	\$ 193.4	\$ --	\$ 464.1
Receivables, net	--	267.7	1,626.2	(21.5)	1,872.4
Inventory	--	102.3	2,060.8	--	2,163.1
Other current assets	--	103.3	588.7	(7.6)	684.4
Total current assets	47.4	696.6	4,469.1	(29.1)	5,184.0
Property and equipment	0.6	280.2	3,673.9	--	3,954.7
Less accumulated depreciation	0.3	55.9	700.6	--	756.8
Net property and equipment	0.3	224.3	2,973.3	--	3,197.9
Inventory	--	182.2	2,089.3	--	2,271.5
Intangibles, at amortized cost	49.1	557.5	15,546.6	--	16,153.2
Investments in consolidated subs	5,053.5	11,232.2	--	(16,285.7)	--
Other assets	304.9	314.6	1,775.4	(210.5)	2,184.4
	\$ 5,455.2	\$13,207.4	\$26,853.7	\$(16,525.3)	\$28,991.0
Liabilities and Shareholders' Equity					
Current Liabilities:					
Accounts payable	\$ --	\$ 44.2	\$ 751.1	\$ (6.5)	\$ 788.8
Accrued compensation	--	145.7	303.7	--	449.4
Participants share, residuals and royalties payable	--	--	798.2	--	798.2
Current portion of long-term debt	--	1.5	43.6	--	45.1
Accrued expenses and other	215.9	381.5	1,412.1	(27.4)	1,982.1
Total current liabilities	215.9	572.9	3,308.7	(33.9)	4,063.6
Long-term debt	8,436.9	1,595.3	861.3	(181.4)	10,712.1
Other liabilities	(16,096.4)	1,216.7	20,045.1	(3,043.9)	2,121.5
Shareholders' equity					
Convertible Preferred Stock	1,200.0	--	--	--	1,200.0
Common Stock	3.7	212.0	722.4	(934.4)	3.7
Additional paid-in capital	10,693.2	8,544.4	1,086.4	(9,597.1)	10,726.9
Retained earnings	1,001.9	1,042.7	863.1	(2,734.6)	173.1
Cumulative translation adjustment	--	23.4	(33.3)	--	(9.9)
Total shareholders' equity	12,898.8	9,822.5	2,638.6	(13,266.1)	12,093.8
	\$ 5,455.2	\$13,207.4	\$26,853.7	\$(16,525.3)	\$28,991.0

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1996				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Net cash flow provided by (used in) operating activities	\$ 1,150.6	\$(1,583.2)	\$ 503.1	\$ --	\$ 70.5
Investing Activities:					
Proceeds from dispositions	--	1,700.0	138.1	--	1,838.1
Acquisitions, net of cash acquired	--	--	(299.8)	--	(299.8)
Capital expenditures	--	(125.5)	(473.1)	--	(598.6)
Investments in and advances to affiliated companies	--	(57.3)	(31.5)	--	(88.8)
Proceeds from sale of short-term investments	--	137.9	--	--	137.9
Payments for purchase of short-term investments	--	(149.2)	--	--	(149.2)
Other, net	--	--	--	--	--
Net cash flow provided by (used in) investing activities	--	1,505.9	(666.3)	--	839.6
Financing Activities:					
Short-term (repayments to) borrowings from banks, net	(1,293.8)	407.0	27.3	--	(859.5)
Increase (decrease) in intercompany payables	320.7	(464.3)	143.6	--	--
Proceeds from exercise of stock options and warrants	95.1	--	--	--	95.1
Purchase of treasury stock	(223.6)	--	--	--	(223.6)
Payment of Preferred Stock dividends	(60.0)	--	--	--	(60.0)
Payment on capital lease obligations	--	(15.5)	(33.4)	--	(48.9)
Repayments of other notes	--	(12.0)	(38.9)	--	(50.9)
Other, net	(17.4)	--	--	--	(17.4)
Net cash flow provided by (used in) financing activities	(1,179.0)	(84.8)	98.6	--	(1,165.2)
Net decrease in cash and cash equivalents	(28.4)	(162.1)	(64.6)	--	(255.1)
Cash and cash equivalents at beginning of year	47.4	223.3	193.4	--	464.1
Cash and cash equivalents at end of year	\$ 19.0	\$ 61.2	\$ 128.8	\$ --	\$ 209.0

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1995				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Net cash flow provided by (used in) operating activities	\$ 224.6	\$ (66.5)	\$ (102.5)	\$ --	\$ 55.6
Investing Activities:					
Proceeds from dispositions	--	1,036.1	406.8	--	1,442.9
Acquisitions, net of cash acquired	--	--	(616.2)	--	(616.2)
Capital expenditures	(.1)	(93.8)	(636.7)	--	(730.6)
Investments in and advances to affiliated companies	--	(72.4)	(65.7)	--	(138.1)
Proceeds from sale of short-term investments	--	281.3	--	--	281.3
Purchases of short-term investments	--	(301.2)	--	--	(301.2)
Other, net .....	.1	(3.1)	(14.7)	--	(17.7)
Net cash flow provided by (used in) investing activities	--	846.9	(926.5)	--	(79.6)
Financing Activities:					
Short-term repayments to banks, net	(1,556.5)	--	(3.7)	--	(1,560.2)
Increase (decrease) in intercompany payables	(147.0)	(607.3)	754.3	--	--
Proceeds from issuance of senior notes	1,538.6	--	--	--	1,538.6
Proceeds from exercise of stock options and warrants	125.6	--	--	--	125.6
Payment of Preferred Stock dividends	(60.0)	--	--	--	(60.0)
Settlement of CVRs	(81.9)	--	--	--	(81.9)
Payment on capital lease obligations	--	(8.9)	(27.4)	--	(36.3)
Deferred financing fees	(23.4)	--	--	--	(23.4)
Other, net	(6.2)	(4.3)	(1.5)	--	(12.0)
Net cash flow provided (used by) financing activities	(210.8)	(620.5)	721.7	--	(109.6)
Net increase (decrease) in cash and cash equivalents	13.8	159.9	(307.3)	--	(133.6)
Cash and cash equivalents at beginning of year	33.6	63.4	500.7	--	597.7
Cash and cash equivalents at end of year	\$ 47.4	\$ 223.3	\$ 193.4	\$ --	\$ 464.1

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollars in millions, except per share amounts)

	1994				Viacom Inc. Consolidated
	Viacom Inc.	Viacom International	Non- Guarantor Affiliates	Eliminations	
Net cash flow provided by (used in) operating activities	\$ (86.4)	\$ 26.9	\$ 470.9	\$ (34.5)	\$ 376.9
Investing Activities:					
Proceeds from dispositions	--	317.6	--	--	317.6
Acquisitions, net of cash acquired	(6,652.3)	--	397.7	--	(6,254.6)
Capital expenditures	--	(39.5)	(325.4)	--	(364.9)
Investments in and advances to affiliated companies	--	(26.5)	(24.8)	--	(51.3)
Proceeds from sale of short-term investments	--	--	156.2	--	156.2
Purchases of short-term investments	--	--	(102.2)	--	(102.2)
Other, net	(19.2)	(6.9)	(3.3)	(7.8)	(37.2)
Net cash flow provided by (used in) investing activities	(6,671.5)	244.7	98.2	(7.8)	(6,336.4)
Financing Activities:					
Short-term (repayments to) borrowings from banks, net	5,149.8	(1,541.1)	(48.7)	--	3,560.0
Increase (decrease) in intercompany payables	(1,286.1)	1,271.2	(27.4)	42.3	--
Proceeds from issuance of Viacom Inc. Class B Common Stock	1,250.0	--	--	--	1,250.0
Proceeds from exercise of stock options and warrants	52.6	--	--	--	52.6
Payment of Preferred Stock dividends	(72.7)	--	--	--	(72.7)
Payment on capital lease obligations	--	(.9)	(4.2)	--	(5.1)
Deferred financing fees	(86.8)	(.3)	--	--	(87.1)
Other, net	(23.7)	--	.8	--	(22.9)
Net cash flow provided by (used in) financing activities	4,983.1	(271.1)	(79.5)	42.3	4,674.8
Net increase (decrease) in cash and cash equivalents	(1,774.8)	.5	489.6	--	(1,284.7)
Cash and cash equivalents at beginning of year	1,808.4	62.9	11.1	--	1,882.4
Cash and cash equivalents at end of year	\$ 33.6	\$ 63.4	\$ 500.7	\$ --	\$ 597.7
	=====	=====	=====	=====	=====

PART III

Item 10. Directors and Executive Officers.

The information contained in the Viacom Inc. Definitive Proxy Statement under the captions "Information Concerning Directors and Nominees" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" is incorporated herein by reference.

Item 11. Executive Compensation.

The information contained in the Viacom Inc. Definitive Proxy Statement under the captions "Directors' Compensation" and "Executive Compensation" is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information contained in the Viacom Inc. Definitive Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information contained in the Viacom Inc. Definitive Proxy Statement under the captions "Compensation Committee Interlocks and Insider Participation" and "Related Transactions" is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) and (d) Financial Statements and Schedules (see Index on Page F-1)

(b) Reports on Form 8-K

None

(c) Exhibits (see index on Page E-1)

IV-1

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

Item 14a

The following consolidated financial statements and schedule of the registrant and its subsidiaries are submitted herewith as part of this report:

	Reference (Page/s) -----
1. Report of Independent Accountants.....	II-17
2. Management's Statement of Responsibility for Financial Reporting....	II-18
3. Consolidated Statements of Operations for the years ended December 31, 1996, 1995 and 1994.....	II-19
4. Consolidated Balance Sheets as of December 31, 1996 and 1995.....	II-20 - II-21
5. Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994.....	II-22
6. Consolidated Statements of Shareholders' Equity for the years ended December 31, 1996, 1995 and 1994.....	II-23
7. Notes to Consolidated Financial Statements	II-24 - II-64
Financial Statement Schedule:	
II. Valuation and qualifying accounts.....	F-2

All other Schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule.

VIACOM INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In millions)

Col. A	Col. B	Col. C		Col. D	Col. E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions (C)	Balance at End of Period
Allowance for doubtful accounts:					
Year ended December 31, 1996	\$126.0	\$71.1	\$ 3.1	\$98.9	\$101.3
Year ended December 31, 1995	\$ 75.8	\$70.8 (D)	\$37.4 (A)	\$58.0	\$126.0
Year ended December 31, 1994	\$ 33.9	\$39.6 (D)	\$46.1 (A)(B)	\$43.8	\$ 75.8
Valuation allowance on deferred tax assets:					
Year ended December 31, 1996	\$ 81.8	--	--	--	\$ 81.8
Year ended December 31, 1995	\$ 75.7	--	\$ 6.1 (A)	--	\$ 81.8
Reserves for inventory obsolescence:					
Year ended December 31, 1996	\$129.6	\$45.7	\$(24.7)	\$44.8	\$105.8
Year ended December 31, 1995	\$125.3	\$31.0 (D)	\$ 13.7	\$40.4	\$129.6

Notes:

- (A) Includes amounts charged to goodwill as part of the determination of the fair value of net assets acquired.
- (B) Represents balance sheet reclassifications related to certain entertainment receivables.
- (C) Includes amounts written off, net of recoveries and amounts related to discontinued operations.
- (D) Prior year amounts charged to the income statement have been adjusted restated to conform with the current discontinued operation presentation.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(D) of the Securities Exchange Act of 1934, Viacom Inc. has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

VIACOM INC.

By /s/ SUMNER M. REDSTONE

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

By /s/ GEORGE S. SMITH, JR.

George S. Smith, Jr.,
Senior Vice President,
Chief Financial Officer

By /s/ SUSAN C. GORDON

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

Date: March 31, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of Viacom Inc. and in the capacities and on the dates indicated:

Signature	Title	Date
* ----- George S. Abrams	Director	March 31, 1997
/s/ PHILIPPE P. DAUMAN ----- Philippe P. Dauman	Director	March 31, 1997
* ----- Thomas E. Dooley	Director	March 31, 1997

* ----- Ken Miller	Director	March 31, 1997
* ----- Brent D. Redstone	Director	March 31, 1997
* ----- Shari Redstone	Director	March 31, 1997
/s/ SUMNER M. REDSTONE ----- Sumner M. Redstone	Director	March 31, 1997
* ----- Frederic V. Salerno	Director	March 31, 1997
* ----- William Schwartz	Director	March 31, 1997
* ----- Ivan Seidenberg	Director	March 31, 1997
*By /s/ PHILIPPE P. DAUMAN ----- Philippe P. Dauman Attorney-in-Fact for the Directors		March 31, 1997

VIACOM INC. AND SUBSIDIARIES
INDEX TO EXHIBITS
ITEM 14(C)

EXHIBIT NO.	DESCRIPTION OF DOCUMENT	PAGE NO.
(2)	Plan of Acquisition	
(a)	Agreement and Plan of Merger dated as of January 7, 1994, as amended as of June 15, 1994, between Viacom Inc. and Blockbuster Entertainment Corporation (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-55271).	
(b)	Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 between Viacom Inc. and Paramount Communications Inc., as further amended as of May 26, 1994, among Viacom, Viacom Sub Inc. and Paramount Communications Inc. (incorporated by reference to Exhibit 2.1, included as Annex I, to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-53977).	
(3)	Articles of Incorporation and By-laws	
(a)	Restated Certificate of Incorporation of Viacom Inc. (incorporated by reference to Exhibit 3(a) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553).	
(b)	Amendment to Restated Certificate of Incorporation of Viacom Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-55271).	
(c)	Certificate of Merger merging Blockbuster Entertainment Corporation with and into Viacom Inc. (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-3 filed by Viacom Inc.) (File No. 33-55785).	
(d)	Certificate of the Designations, Powers, Preferences and Relative, Participating or other Rights, and the Qualifications, Limitations or Restrictions thereof, of Series B Cumulative Convertible Preferred Stock (\$0.01 par value) of Viacom Inc. (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended September 30, 1993) (File No. 1-9553).	
(e)	By-laws of Viacom Inc. (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-13812).	
(4)	Instruments defining the rights of security holders, including indentures	
(a)	Specimen certificate representing the Viacom Inc. Voting Common Stock (currently 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 Non-Voting 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) Specimen certificate representing Viacom Inc. Series B Cumulative Convertible Preferred Stock of Viacom Inc. (incorporated by reference to Exhibit 4(d) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1993, as amended by Form 10-K/A Amendment No. 1 dated May 2, 1994) (File No. 1-9553).
- (d) Form of Warrant Agreement between Viacom Inc. and Harris Trust and Savings Bank, as Warrant Agent with respect to the Warrants expiring July 1, 1997 of Viacom Inc. (including the Form of Warrant expiring July 1, 1997) (incorporated by reference to Exhibit 4.7 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-53977).
- (e) Form of Warrant Agreement between Viacom Inc. and Harris Trust and Savings Bank, as Warrant Agent with respect to the Warrants expiring July 1, 1999 of Viacom Inc. (including the Form of Warrant expiring July 1, 1999) (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-53977).
- (f) Amended and Restated Credit Agreement dated as of March 26, 1997 among Viacom Inc.; the Bank parties thereto; The Bank of New York ("BNY"), Citibank N.A. ("Citibank"), Morgan Guaranty Trust Company of New York ("Morgan Guaranty"), Bank of America NT&SA ("BoFA") and The Chase Manhattan Bank ("Chase"), as Managing Agents; BNY, as Documentation Agent; Citibank, as Administrative Agent; JP Morgan Securities Inc. ("JP Morgan") and BoFA, as Syndication Agents; and the Agents and Co-Agents named therein (filed herewith), and Amended and Restated Credit Agreement dated as of March 26, 1997 among Viacom International Inc.; the Bank parties thereto; BNY, Citibank, Morgan Guaranty, BoFA and Chase, as Managing Agents; BNY, as Documentation Agent; Citibank, as Administrative Agent; JP Morgan and BoFA, as Syndication Agents; and the Agents and Co-Agents named therein (filed herewith).

- (g) Film Finance Credit Agreement, dated as of May 10, 1996, among Viacom Film Funding Company Inc. as Borrower; Viacom Inc. and Viacom International Inc. as Guarantors; the Bank parties thereto; The Bank of New York ("BNY"), Citibank N.A. ("Citibank"), Morgan Guaranty Trust Company of New York and Bank of America NT&SA, as Managing Agents; BNY, as Documentation Agent; Citibank, as Administrative Agent; JP Morgan Securities Inc., as Syndication Agent; and the Agents and Co-Agents named therein (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1996) (File No. 1-9553).
 - (h) 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. 1989 Long-Term Management Incentive Plan (as amended and restated through April 23, 1990, as further amended and restated through April 27, 1995, and as further amended and restated through November 1, 1996) (filed herewith).*
 - (b) Viacom Inc. 1994 Long-Term Management Incentive Plan (as amended and restated through April 27, 1995 and as further amended and restated through November 1, 1996) (filed herewith).*
 - (c) Viacom Inc. Senior Executive Short-Term Incentive Plan (as amended and restated through March 27, 1996) (incorporated by reference to Exhibit 10(c) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1995).*
 - (d) Viacom Inc. Long-Term Incentive Plan (Divisional) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1993) (File No. 1-9553).*
 - (e) Viacom International Inc. Deferred Compensation Plan for Non-Employee Directors (as amended and restated through December 17, 1992) (incorporated by reference to Exhibit 10(e) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553).*

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 14(c).

- (f) Viacom Inc. and Viacom International Inc. Retirement Income Plan for Non-Employee Directors (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1989) (File No. 1-9553).*
- (g) Viacom Inc. Stock Option Plan for Outside Directors (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1993) (File No. 1-9553).*
- (h) Viacom Inc. 1994 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit B to Viacom Inc.'s Definitive Proxy Statement dated April 28, 1995).*
- (i) Excess Benefits Investment Plan for Certain Key Employees of Viacom International Inc. (effective April 1, 1984 and amended as of January 1, 1990) (incorporated by reference to Exhibit 10(h) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1990) (File No. 1-9553).*
- (j) Excess Pension Plan for Certain Key Employees of Viacom International Inc. (incorporated by reference to Exhibit 10(i) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1990) (File No. 1-9553).*
- (k) Employment Agreement, dated as of August 1, 1994, between Viacom Inc. and Frank J. Biondi, Jr. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended September 30, 1994) (File No. 1-9553).* Supplemental Agreement, dated as of January 17, 1996, between Viacom Inc., Viacom International Inc. and Frank J. Biondi, Jr. (incorporated by reference to Exhibit 10 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended March 31, 1996)(File No. 1-9553).*
- (l) Agreement, dated as of January 1, 1996, between Viacom Inc. and Philippe P. Dauman (incorporated by reference to Exhibit 10(l) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1995)(File No. 1-9553).*
- (m) Agreement, dated as of January 1, 1996, between Viacom Inc. and Thomas E. Dooley (incorporated by reference to Exhibit 10(m) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1995)(File No. 1-9553).*
- (n) Agreement, dated as of July 1, 1994, between Viacom Inc. and Edward D. Horowitz (incorporated by reference to Exhibit 10(o) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1994)(File No. 1-9553), as amended by an Agreement, dated as of June 1, 1996 (incorporated by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1996)(File No. 1-9553).*

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 14(c).

- (o) Agreement, dated as of August 1, 1990, between Viacom International Inc. and Mark M. Weinstein (incorporated by reference to Exhibit 10(p) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1990) (File No. 1-9553), as amended by an Agreement dated as of February 1, 1993 (incorporated by reference to Exhibit 10(n) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553), and as further amended by an Agreement dated February 7, 1995 (incorporated by reference to Exhibit 10(m) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1994)(File No. 1-9553).*
- (p) Service Agreement, dated as of March 1, 1994, between George S. Abrams and Viacom Inc. (incorporated by reference to Exhibit 10(q) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1994)(File No. 1-9553).*
- (q) Blockbuster Entertainment Corporation ("BEC") stock option plans* assumed by Viacom Inc. after the Blockbuster Merger consisting of the following:
 - (i) BEC's 1989 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated March 31, 1989).
 - (ii) Amendments to BEC's 1989 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 3, 1991).
 - (iii) BECs 1990 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated March 29, 1990).
 - (iv) Amendments to BEC's 1990 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 15, 1991).
 - (v) BEC's 1991 Employee Director Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 15, 1991).
 - (vi) BEC's 1991 Non-Employee Director Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 15, 1991).
 - (vii) BEC's 1994 Stock Option Plan (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K of BEC for the fiscal year ended December 31, 1993) (File No. 0-12700).

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 14(c).

EXHIBIT
NO.

DESCRIPTION OF DOCUMENT

PAGE NO.

- (r) Parents Agreement dated as of July 24, 1995 among Viacom Inc., Tele-Communications, Inc. and TCI Communications, Inc. (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-4 filed by Viacom International Inc.) (File No. 33-64467).
- (s) Implementation Agreement dated as of July 24, 1995 between Viacom International Inc. and Viacom International Services Inc. (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-4 filed by Viacom International Inc.) (File No. 33-64467).
- (t) Subscription Agreement dated as of July 24, 1995 among Viacom International Inc., Tele-Communications, Inc. and TCI Communications, Inc. (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-4 filed by Viacom International Inc.) (File No. 33-64467).
- (u) Stock Purchase Agreement, dated as of February 16, 1997, between Viacom International Inc. and Evergreen Media Corporation of Los Angeles (filed herewith).
- (11) Statements re Computation of Net Earnings Per Share
- (21) Subsidiaries of Viacom Inc.
- (23) Consents of Experts and Counsel
- (a) Consent of Price Waterhouse LLP
- (24) Powers of Attorney
- (27) Financial Data Schedule

=====

\$6,400,000,000

AMENDED AND RESTATED CREDIT AGREEMENT,

dated as of

March 26, 1997,

among

VIACOM INC.,

as Borrower,

THE BANKS NAMED HEREIN,

as Banks,

THE BANK OF NEW YORK,

CITIBANK, N.A.,

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,

BANK OF AMERICA NT&SA,

and

THE CHASE MANHATTAN BANK

as Managing Agents,

THE BANK OF NEW YORK,

as the Documentation Agent,

CITIBANK, N.A.,

as the Administrative Agent,

JP MORGAN SECURITIES INC.,

and

BANK OF AMERICA NT&SA,

as the Syndication Agents,

THE BANKS IDENTIFIED AS AGENTS
ON THE SIGNATURE PAGES HEREOF,

as Agents,

and

THE BANKS IDENTIFIED AS CO-AGENTS
ON THE SIGNATURE PAGES HEREOF,

as Co-Agents

=====

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.1. Defined Terms.....	2
1.2. Computation of Time Periods.....	18
1.3. Accounting Terms.....	18

ARTICLE II

AMOUNT AND TERMS OF THE REVOLVING LOANS

2.1. The Revolving Loans.....	19
2.2. Making the Revolving Loans.....	20
2.3. Termination/Reduction of the Revolving Loan Commitments.....	21
2.4. Repayment of the Revolving Loan.....	23
2.5. Optional Prepayments of the Revolving Loan.....	23
2.6. Mandatory Prepayment.....	23

ARTICLE III

THE TERM LOANS

3.1. The Term Loans.....	23
3.2. Making the Term Loans.....	24
3.3. Repayment of Term Loans.....	25

3.4. Optional Prepayments of the Term Loans.....26

ARTICLE IV

CONVERSION, INTEREST, PAYMENTS, FEES, ETC.

4.1. Conversion/Continuation Option.....27
4.2. Interest.....27

4.3.	Interest Rate Determination and Protection.....	28
4.4.	Fees.....	29
4.5.	Increased Costs.....	30
4.6.	Illegality.....	31
4.7.	Capital Adequacy.....	32
4.8.	Payments and Computations.....	33
4.9.	Sharing of Payments, Etc.....	34
4.10.	Replacement Banks.....	34

ARTICLE V

CONDITIONS OF LENDING

5.1.	Conditions Precedent to the Effectiveness of this Agreement...	34
5.2.	Additional Conditions Precedent to the Making of the Initial Loans.....	35
5.3.	Conditions Precedent to the Making of Each Loan.....	36

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

6.1.	Corporate Existence; Compliance with Law.....	36
6.2.	Corporate Power; Authorization; Enforceable Obligations.....	37
6.3.	Taxes.....	37
6.4.	Financial Information.....	38
6.5.	Litigation.....	38
6.6.	Margin Regulations.....	39
6.7.	ERISA.....	39
6.8.	No Defaults.....	39
6.9.	Investment Company Act.....	40
6.10.	Insurance.....	40
6.11.	Environmental Protection.....	40
6.12.	Title and Liens.....	40
6.13.	Trademarks, Copyrights, Etc.....	40
6.14.	FCC Licenses.....	40
6.15.	Disclosure.....	41

ARTICLE VII

FINANCIAL COVENANTS

7.1. Total Leverage Ratio.....41
7.2. Ratio of EBIDT to Trailing Total Cash Interest and Preferred
Dividends.....42
7.3. Minimum Net Worth.....42

ARTICLE VIII

AFFIRMATIVE COVENANTS

8.1. Compliance with Laws, Etc.....42
8.2. Payment of Taxes, Etc.....42
8.3. Maintenance of Insurance.....42
8.4. Preservation of Corporate Existence, Etc.....43
8.5. Books and Access.....43
8.6. Maintenance of Properties, Etc.....43
8.7. Application of Proceeds.....43
8.8. Financial Statements.....43
8.9. Reporting Requirements.....45

ARTICLE IX

NEGATIVE COVENANTS

9.1. Liens, Etc.....47
9.2. Mergers.....47
9.3. Substantial Asset Sale.....48
9.4. Transactions with Affiliates.....48
9.5. Margin Stock.....48
9.6. Subsidiary Indebtedness.....48
9.7. Other Restrictions on Indebtedness.....48

ARTICLE X

EVENTS OF DEFAULT

10.1. Events of Default.....49

ARTICLE XI

THE MANAGING AGENTS AND THE FACILITY AGENTS

11.1. Authorization and Action.....51
11.2. Managing Agents' and Facility Agents' Reliance, Etc.....52
11.3. The Bank of New York, Citibank, N.A., Morgan Guaranty Trust
Company of New York, Bank of America NT&SA, The Chase
Manhattan Bank and their Affiliates.....52
11.4. Bank Credit Decision.....53
11.5. Determinations Under Sections 5.1, 5.2 and 5.3.....53
11.6. Indemnification.....53
11.7. Successor Facility Agents.....54

ARTICLE XII

MISCELLANEOUS

12.1. Amendments, Etc.....55
12.2. Notices, Etc.....55
12.3. No Waiver; Remedies.....56
12.4. Costs; Expenses; Indemnities.....56
12.5. Right of Set-Off.....57
12.6. Binding Effect.....58
12.7. Assignments and Participations; Additional Banks.....58
12.8. GOVERNING LAW; SEVERABILITY.....60
12.9. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.....60
12.10. Confidentiality.....61
12.11. Section Titles.....61
12.12. Execution in Counterparts.....61

Schedules

Schedule I - Lending Offices
Schedule II - Commitments
Schedule 1.1 - Guarantees in Effect on the Date
of this Agreement

Exhibits

- Exhibit A - Form of Notice of Borrowing
- Exhibit B - Form of VII Guarantee
- Exhibit C - Form of Notice of Conversion or Continuation
- Exhibit D - Form of Michael D. Fricklas Opinion
- Exhibit E - Form of Notice of Assignment and Acceptance

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 26, 1997, which amends and restates the Credit Agreement, dated as of July 1, 1994, as amended (the "Existing Agreement", as amended and restated hereby, this "Agreement") among VIACOM INC., a Delaware corporation (the "Borrower"), the Bank parties hereto from time to time, THE BANK OF NEW YORK, as a Managing Agent and as the Documentation Agent, CITIBANK, N.A., as a Managing Agent and as the Administrative Agent, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Managing Agent, THE BANK OF AMERICA NT&SA, as a Managing Agent and a Syndication Agent, THE CHASE MANHATTAN BANK, as a Managing Agent, JP MORGAN SECURITIES INC., as a Syndication Agent, the Banks identified as Agents on the signature pages hereof, as Agents, and the Banks identified as Co-Agents on the signature pages hereof, as Co-Agents.

W I T N E S S E T H:

WHEREAS, the Borrower has previously entered into the \$1,800,000,000 Credit Facility, dated as of September 29, 1994, as amended (the "\$1.8 billion Credit Facility") with the banks, managing agents, documentation agent, administrative agent, syndication agents and agents identified therein;

WHEREAS, the Borrower has also previously entered into the Subsidiary Facility (as hereinafter defined);

WHEREAS, the Borrower has requested that the Banks amend and restate the Existing Agreement to provide for, among other things, the incorporation, restatement and refinancing of certain existing indebtedness of the Borrower and certain of its Subsidiaries under the \$1.8 billion Credit Facility and the Subsidiary Facility, for payment of related transaction costs, fees and expenses, to provide support for certain commercial paper and competitive bid facilities of the Borrower and for general corporate purposes and the Banks are willing to amend and restate the Existing Agreement on the terms of this Agreement and to make funds available for such purposes, but only upon the terms and subject to the conditions contained herein; and

WHEREAS, simultaneously herewith, the Banks, the Facility Agents (as hereinafter defined), the Managing Agents, the Agents and the Co-Agents are entering into the Subsidiary Facility (as hereinafter defined), pursuant to which the Banks will provide senior debt financing to a subsidiary of the Borrower;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein, the parties hereto hereby agree that the Existing

Agreement and the \$1.8 billion Credit Facility are hereby consolidated, amended and restated in their entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.1. Defined Terms. As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Administrative Agent" means Citibank, N.A., in its capacity as the Administrative Agent, or any successor in such capacity.

"Affiliate" means, as to any Person, any Subsidiary of such Person and any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person. For the purposes of this definition, "control" means the possession of the power to direct or cause the direction of management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise.

"Agents" means each of the Banks identified as Agents on the signature pages hereof.

"Agreement" means this Amended and Restated Credit Agreement, as modified, amended or supplemented from time to time.

"APB 16 and 17" means Accounting Principles Board Opinions Nos. 16 and 17 as in effect at the time that any addition or adjustment required thereunder is to be made to the financial statements of a Person.

"Applicable Eurodollar Rate Margin" shall mean on any date the percentage set forth below opposite the Credit Rating applicable to the Borrower on such date:

CREDIT RATING	MARGIN
-----	-----
A-/A3 or better	0.275%
BBB+/Baa1	0.300%
BBB/Baa2	0.375%
BBB-/Baa3	0.425%
BB+/Ba1	0.600%
BB/Ba2	0.700%
BB-/Ba3 or lower	1.000%

; provided, however, that if the ratings assigned by S&P and Moody's shall differ, the Credit Rating shall be the rating which is the higher rating. Any change in the Credit Rating of the Borrower shall be effective to adjust the applicable Eurodollar Rate Margin as of the date such change is announced by the applicable Rating Agency.

"Applicable Lending Office" means, with respect to each Bank, its Domestic Lending Office in the case of a Base Rate Loan, and its Eurodollar Lending Office in the case of a Eurodollar Rate Loan.

"Arranger" means each of The Bank of New York, Citicorp Securities, Inc., JP Morgan Securities Inc., BancAmerica Securities, Inc. and Chase Securities Inc.

"Banks" means the lenders listed on the signature pages hereof, and such other lenders as may become parties hereto from time to time pursuant to Section 12.7.

"Base Rate" means, for any day, a fluctuating interest rate per annum as shall be in effect for such day, which rate per annum shall be equal at all times to the higher of

(a) the rate of interest announced publicly by the Administrative Agent in New York, New York as the Administrative Agent's base rate in effect for such day; or

(b) the Federal Funds Rate for such day plus 1/2 of one percent per annum;

provided, however, that if the higher of the Credit Ratings assigned by S&P and Moody's to the Borrower shall be BB-/Ba3 or lower, (or, if such Credit Ratings differ by more than one level, the rating that is one rating level immediately above the lower of such ratings, shall be BB-/Ba3 or lower) then the Base Rate shall be equal at all times to the sum of (x) the higher of the foregoing rates plus (y) 1/2 of one percent per annum.

"Base Rate Loan" means any Loan or portion thereof that bears interest with reference to the Base Rate.

"Borrower" has the meaning specified in the recitals hereof.

"Borrowing" means a Revolving Loan Borrowing or a Term Loan Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to a Eurodollar Rate Loan, a day on which dealings are also carried on in Dollars in the London interbank market.

"Capital Market Transaction" means the issuance or incurrence of any Indebtedness for borrowed money (other than borrowings hereunder) or the issuance of any Equity or other securities, excluding Commercial Paper, in each case whether by means of any public offering, private placement or incurrence of additional bank debt.

"Capitalized Lease" means, as applied to any Person, any lease of property by such Person as lessee which should be capitalized on a balance sheet of such Person prepared in accordance with GAAP, other than leases of satellite transponders.

"Cash Equivalents" means (i) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States government or any agency thereof, (ii) certificates of deposit, time deposits, bankers' acceptances and repurchase agreements of any commercial bank rated at least A-3 by Moody's, (iii) negotiable Eurodollar certificates of deposit and time deposits issued by a London affiliate of a U.S. commercial bank or Canadian bank qualified under the preceding clause (ii) if such affiliate's long-term debt is rated A-3 or better by Moody's and (iv) commercial paper of an issuer rated at least A-1+ by S&P or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments.

"Co-Agents" means each of the Banks identified as Co-Agents on the signature pages hereof.

"Code" means the Internal Revenue Code of 1986 (or any successor legislation thereto), as amended from time to time.

"Commercial Paper" means any unsecured promissory note of the Borrower or Viacom International with a maturity at the time of issuance not exceeding

nine months, exclusive of days of grace, issued by the Borrower or Viacom International pursuant to a commercial paper program of either.

"Commitment" means, as to any Bank, such Bank's aggregate Revolving Loan Commitment and/or Term Loan Commitment and "Commitments" means, as to all of the Banks, the aggregate of the Revolving Loan Commitments and Term Loan Commitments of all the Banks.

"Commitment Fee" has the meaning specified in Section 4.4(a).

"Commitment Termination Date" means the earlier of (i) July 1, 2002 and (ii) the date of the earlier termination in whole of all of the Commitments pursuant to the terms hereof, including pursuant to Section 10.1.

"Contaminant" means any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum derived substance or waste, or any constituent of such substance or waste, including any substance regulated under any Environmental Law.

"Credit Rating" means the most recent rating of the long-term senior unsecured debt of the Borrower announced by Moody's or S&P or, in the event that either or both cease the issuance of debt ratings generally, such other rating agency or rating agencies agreed to by the Majority Banks.

"Default" means any event which with the passing of time or the giving of notice or both would become an Event of Default.

"Documentation Agent" means The Bank of New York, in its capacity as the Documentation Agent, or any successor in such capacity.

"Dollars" and the sign "\$" each mean the lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"Earnings from Operations" means, at any time, for the Borrower and its Subsidiaries, revenues plus equity in earnings of affiliated companies, less (i) operating expenses, (ii) selling expenses, (iii) general and administrative expenses and (iv) depreciation and amortization expenses.

"EBIDT" means, at any time, the Earnings from Operations of the Borrower and its Subsidiaries on a consolidated basis as set forth in the statement of operations of the Borrower and its Subsidiaries for the immediately preceding four Fiscal Quarters for which financial statements have been delivered to the Banks pursuant to Section 8.8 of this Agreement (adjusted to account for material dispositions during such four Fiscal Quarters), plus (to the extent previously deducted) (a) the sum of the following expenses of the Borrower and its Subsidiaries for such period: (i) depreciation expense; (ii) amortization expense (including all amortization expenses recognized in accordance with APB 16 and 17 but excluding (A) all other amortization of programming, production and pre-publication costs and (B) amortization of videocassettes); (iii) expenses accrued under the Incentive Plans for such period; (iv) in the event that, during such period, the Borrower or any of its Subsidiaries acquires all or substantially all of the assets or Equity of any other Person or any Equity in any other Person that is reported on an equity basis, the EBIDT of such Person, as determined in accordance with the terms of this definition, shall be included in the EBIDT of the Borrower for all Fiscal Quarters during such period; and (v) all other non-cash charges; less (b) the proportional EBIDT of the interests held by any other Person in entities fully consolidated with the Borrower and its Subsidiaries, as determined in accordance with the terms of this definition. In calculating EBIDT, any losses of UPN Network prior to December 31, 1996 shall be disregarded. In addition, for the purposes of Section 7.2 only, EBIDT shall be calculated on an actual historical basis without taking into account acquisitions or dispositions during any relevant calculation period.

"Environmental Law" means the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. ss. 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. ss. 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. ss. 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. ss. 1251 et seq.), the Clean Air Act (42 U.S.C. ss. 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. ss. 2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. ss. 651 et seq.), in each case as amended or supplemented from time to time, and any analogous future federal or present or future state or local statutes, including, without limitation, transfer of ownership notification statutes such as the New Jersey Environmental Cleanup Responsibility Act (N.J. Stat. Ann. ss. 13:1K-6 et seq.) and the Connecticut Industrial Transfer Law of 1985 (Conn. Gen. Stat. ss. 22a-134 et seq.) and the regulations promulgated pursuant thereto.

"Environmental Liabilities and Costs" means, as to any Person, all liabilities, obligations, responsibilities, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including, without limitation, all reasonable fees, disbursements and expenses of counsel, expert and consulting fees, and costs of investigation and feasibility studies), fines, penalties, sanctions and interest incurred as a result of any claim or demand, by any Person,

whether based in contract, tort, implied or express warranty, strict liability, any criminal or civil statute, including any Environmental Law, Permit, order or agreement with any Governmental Authority or other Person, arising from environmental, health or safety conditions, or the Release or threatened Release of a Contaminant into the environment, resulting from the past, present or future operations of such Person or its Subsidiaries.

"Environmental Lien" means any Lien in favor of any Governmental Authority for Environmental Liabilities and Costs.

"Equity" means all shares, options, equity interests, general or limited partnership interests, joint venture interests or participations or other equivalents (regardless of how designated) of or in a corporation, partnership or other entity, whether voting or non-voting, and including, without limitation, common stock, preferred stock, purchase rights, warrants or options for any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974 (or any successor legislation thereto) and the rules and regulations promulgated thereunder, as amended from time to time.

"ERISA Affiliate" shall mean a corporation, partnership or other entity which is considered one employer with the Borrower under Section 4001 of ERISA or Section 414 of the Code.

"ERISA Event" means (i) a Reportable Event with respect to a Title IV Plan; (ii) the withdrawal of the Borrower, any of its Subsidiaries or any ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (iii) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; or (iv) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC.

"Eurocurrency Liabilities" has the meaning specified in Regulation D.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule I (or, if no such office is specified, its Domestic Lending Office) or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"Eurodollar Rate" means, for any Interest Period, the rate of interest per annum determined by the Administrative Agent to be the offered rate per annum at which deposits in Dollars appears on the Telerate Page 3750 (or any successor page) as of 11:00

A.M. (London time), or in the event such offered rate is not available from the Telerate Page, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rates offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time), two Business Days before the first day of such Interest Period for deposit in dollars in an amount substantially equal to the aggregate Eurodollar Rate Loans to which such Interest Period relates and for a period equal to such Interest Period.

"Eurodollar Rate Loan" means any Loan or portion thereof that bears interest at a rate determined with reference to the Eurodollar Rate.

"Eurodollar Rate Reserve Percentage" means, for any Bank for any Interest Period, the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under Regulation D for determining the actual reserve requirement incurred by such Bank (including, without limitation, any emergency, supplemental or other marginal reserve requirement) with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Event of Default" has the meaning specified in Section 10.1.

"Facility Agents" means each of the Administrative Agent, the Documentation Agent and the Syndication Agents.

"FCC" means the Federal Communications Commission, or any successor thereto.

"FCC License" means, with respect to the Borrower or any of its Subsidiaries, any radio, television or other license, Permit, certificate of compliance or authorization issued by the FCC and required for the operation of its respective radio and television broadcast stations.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Final Judgment" has the meaning specified in Section 10.1(g).

"Fiscal Quarter" means any three month period ending March 31, June 30, September 30 or December 31 of any Fiscal Year.

"Fiscal Year" means each twelve-month period ending December 31.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time and set forth in the rules, regulations, opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession and which are applicable to the circumstances as of the date of determination.

"GAAS" means generally accepted auditing standards in the United States of America as in effect from time to time and set forth in the rules, regulations, opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession and which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantor Subsidiary" means Viacom International.

"Incentive Plans" means the Borrower's Long-Term Incentive Plan and Long-Term Management Incentive Plan.

"Indebtedness" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money (including, without limitation, in the case of the Borrower, the obligations of the Borrower for borrowed money under this Agreement), (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of Property or services, except as provided below, (iv) all obligations of such Person as lessee under Capitalized Leases, (v) all Indebtedness of others secured by a Lien on any Property of such Person, whether or not such Indebtedness is assumed by such Person, (vi) all Indebtedness of others directly or indirectly guaranteed or otherwise assumed by such Person, including any obligations of others endorsed (otherwise than for

collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, including, without limitation any Indebtedness in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation, or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation, provided that Indebtedness of the Borrower and its Subsidiaries shall not include (a) guarantees in existence on the date hereof of Indebtedness of discontinued operations, and (b) guarantees of Indebtedness that are identified on Schedule 1.1 hereto and that arise from commitments in existence at September 29, 1994 (in each of cases (a) and (b), only if such guarantees are not extended by the Borrower or any of its Subsidiaries after September 29, 1994 or, in the case of any increase in commitments, only the amount of the increase in such existing commitments shall be included in Indebtedness) (vii) all obligations of such Person as issuer, customer or account party under letters of credit or bankers' acceptances that are either drawn or that back financial obligations that would otherwise be Indebtedness; provided, however, that in each of the foregoing clauses (i) through (vii), Indebtedness shall not include obligations (other than under this Agreement or the Subsidiary Facility) specifically with respect to the production, distribution and acquisition of motion pictures or other programming rights, talent or publishing rights.

"Indemnified Liability" has the meaning specified in Section 12.4(b).

"Indemnified Person" has the meaning specified in Section 12.4(b).

"Initial Funding Date" means the date on which the conditions set forth in Sections 5.1, 5.2 and 5.3 are satisfied or waived and the initial Loans are made hereunder.

"Interest Period" means, (a) in the case of Base Rate Loans, the period commencing on the date such Loans are made or on the date of conversion of such Loans from Eurodollar Rate Loans and ending on the last day of each Fiscal Quarter, and (b) in the case of Eurodollar Rate Loans, (i) initially, the period commencing on the date such Loans are made or on the date of conversion of such Loans or portions thereof from Base Rate Loans and ending one, two, three or six months thereafter, as selected by the Borrower in its Notice of Borrowing or Notice of Conversion or Continuation given to the Administrative Agent pursuant to Section 2.2, 3.2, or 4.1, as the case may be, and (ii) thereafter, if such Loans are renewed, in whole or in part, as Eurodollar Rate Loans pursuant to Section 4.1, the period commencing on the last day of the immediately preceding Interest Period therefor and ending one, two, three or six months thereafter, as selected by the Borrower in its Notice of Conversion or Continuation given to the Administrative Agent pursuant to Section 4.1, subject, however, to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless the result of such extension for any Eurodollar Rate Loan would be to extend such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period in respect of Eurodollar Rate Loans that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(iii) no Interest Period may extend beyond the Commitment Termination Date;

(iv) the Borrower may not select any Interest Period in respect of Loans in an aggregate amount less than \$5,000,000; and

(v) there shall be outstanding at any one time no more than 20 Interest Periods in the aggregate.

"IRS" means the Internal Revenue Service, or any successor thereto.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement.

"Loan Documents" means, collectively, this Agreement, the Subsidiary Facility, the VII Guarantee and the Parent Guarantee.

"Loan Parties" means each of the Borrower, the Subsidiary Borrower and the Guarantor Subsidiary.

"Loans" means, collectively, the Revolving Loans and the Term Loans.

"Majority Banks" means, at any time, Banks having at least 51% of the aggregate amount of (x) the Commitments and (y) the Subsidiary Commitments under (and as defined in) the Subsidiary Facility, taken together and voting as a single group; provided, however, that, for purposes of this definition, if the Commitment or Subsidiary Commitment of any Bank shall have been terminated, the then aggregate unpaid principal amount of Loans of such Bank hereunder and Subsidiary Loans of such Bank under (and

as defined in) the Subsidiary Facility shall be deemed to be such Bank's Commitment or Subsidiary Commitment, as the case may be.

"Managing Agents" means each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA and The Chase Manhattan Bank, acting in such capacity.

"Margin Stock" has the meaning specified in Regulation U.

"Material Adverse Change" means a change that has resulted or would result in a Material Adverse Effect.

"Material Adverse Effect" means a material adverse effect on the business, financial condition, operations or Properties of the Borrower and its Subsidiaries taken as a whole.

"Material Credit Agreement Change" means a change that has materially adversely affected or would materially adversely affect the legality, validity or enforceability of any payment obligation of the Borrower or Viacom International.

"Material Subsidiary" of any Person means any "significant subsidiary" of such Person as defined in Regulation S-X, as amended from time to time, promulgated under the Securities Act of 1933, as amended.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower, any of its Subsidiaries or any ERISA Affiliate is making, is obligated to make, has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"NAI" means National Amusements, Inc., a Maryland corporation.

"Net Cash Proceeds" means:

(a) in reference to asset sales, proceeds in cash as and when received by the Borrower or any of its Subsidiaries (including cash paid in respect of any Indebtedness received) from the sale by the Borrower or any of its Subsidiaries to any Person (other than the Borrower or any of its wholly owned Subsidiaries) of any asset outside of the ordinary course of business (including, without limitation, the sale of any facility, division, plant or other real property or interest in real property), net of the direct costs relating to such sale, including, without

limitation, (i) legal, accounting and investment banking fees and sale commissions, (ii) taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements in each case arising directly from such sale), (iii) amounts required to be applied to the repayment of Indebtedness relating to the asset that is the subject of such sale and not otherwise provided for by the terms of such sale, and (iv) reasonable reserves for purchase price adjustments; and

(b) in reference to Capital Market Transactions by any Person, the proceeds in cash received from such Capital Market Transactions, net of all issuance costs.

For purposes of this definition, proceeds received by any Subsidiary of the Borrower other than a wholly owned Subsidiary shall be deemed to be Net Cash Proceeds received by the Borrower only in an amount proportionate to the equity ownership interest of the Borrower in the Subsidiary receiving such proceeds.

"Net Worth" means, at any time, as to the Borrower and its Subsidiaries on a consolidated basis (determined in accordance with GAAP), the excess of total assets over (i) total liabilities as shown on the Borrower's then most recent consolidated balance sheet and (ii) preferred stock that is either exchangeable into debt or is non-perpetual.

"Notice of Assignment and Acceptance" has the meaning specified in Section 12.7(a).

"Notice of Borrowing" means a notice of the Borrower substantially in the form of Exhibit A hereto specifying therein (i) the date of the proposed Borrowing, (ii) the aggregate amount of such proposed Borrowing, (iii) the amount thereof, if any, requested to be Eurodollar Rate Loans, (iv) the initial Interest Period or Interest Periods for any such Eurodollar Rate Loans and (v) whether such Borrowing is to be a Short-Term Loan Borrowing, a Revolving Loan Borrowing or a Term Loan Borrowing.

"Notice of Conversion or Continuation" has the meaning specified in Section 4.1.

"Original Funding Date" means the "Initial Funding Date," as defined in the Existing Agreement.

"Parent Guarantee" means the guarantee by the Borrower of the obligations of Viacom International pursuant to the Subsidiary Facility, substantially in the form of Exhibit C to the Subsidiary Facility.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Pension Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), which is not an individual account plan, as defined in Section 3(34) of ERISA, and which the Borrower, any of its Subsidiaries or any ERISA Affiliate now or in the future maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Permit" means any permit, approval, authorization, license, variance or permission required from a Governmental Authority under an applicable Requirement of Law.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or Governmental Authority.

"Plan" shall mean an employee benefit plan as defined in Section 3(3) of ERISA which is maintained or contributed to by the Borrower or an ERISA Affiliate.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible, including, without limitation, the right to use, transmit, display, license or otherwise temporarily or permanently benefit from the possession of, control of or access to any film, television program, trademark, trade name, copyright, service mark or any other type of intellectual or intangible property.

"Qualified Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA, which is intended to be tax-qualified under Section 401(a) of the Code, and which the Borrower, any of its Subsidiaries or any ERISA Affiliate now or in the future maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Ratable Portion" means, with respect to any Bank, (i) with respect to the Revolving Loans and the Term Loans, respectively, the percentage obtained by dividing the amount of such Bank's Revolving Loan Commitment or Term Loan Commitment, as the case may be, by the aggregate amount of all of such Revolving Loan Commitments or Term Loan Commitments of all the Banks, respectively, and (ii) with respect to the aggregate amount of all Commitments, the percentage obtained by dividing the aggregate Commitment of such Bank by the aggregate amount of all Commitments of all the Banks.

"Reference Banks" means The Bank of New York, Citibank, N.A., The Chase Manhattan Bank, Morgan Guaranty Trust Company of New York and Bank of America NT&SA.

"Register" has the meaning specified in Section 12.7(g) hereof.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System (or any successor thereto), as in effect from time to time, or any successor thereto.

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System (or any successor thereto), as in effect from time to time, or any successor thereto.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System (or any successor thereto), as in effect from time to time, or any successor thereto.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System (or any successor thereto), as in effect from time to time, or any successor thereto.

"Release" means, as to any Person, any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, disbursal, leaching or migration into the indoor or outdoor environment or into or out of any property owned by such Person, including the movement of Contaminants through or in the air, soil, surface water, ground water or property.

"Remedial Action" means all actions required to (i) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment, (ii) prevent the Release or threat of Release or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, or (iii) perform pre-remedial studies and investigations and post-remedial monitoring and care.

"Reportable Event" means any of the events described in Section 4043(b)(1), (2), (3), (5), (6), (8) or (9) of ERISA.

"Requirements of Law" means all federal, state and local laws, rules, regulations, orders, decrees or other determinations of an arbitrator, court or other Governmental Authority, including the requirements of ERISA and Environmental Law.

"Responsible Financial Officer" means the chief financial officer, treasurer, assistant treasurer, controller, secretary, assistant secretary or other officer of the Borrower listed in the certificate delivered to the Managing Agents pursuant to Section 5.1(c) or otherwise notified to the Administrative Agent as being authorized to execute documents and certificates and otherwise act on behalf of the Borrower in connection with financial matters arising under this Agreement or any other Loan Document.

"Responsible Officer" of any Person means any of the officers of such Person listed in the certificate delivered to the Managing Agents pursuant to Section 5.1(c) or otherwise notified to the Administrative Agent as being authorized to execute and deliver documents and certificates and otherwise act on behalf of such Person in all matters (other than financial matters) arising under this Agreement or any other Loan Document.

"Revolving Loan" means a Loan made to the Borrower pursuant to Section 2.1.

"Revolving Loan Borrowing" means a borrowing by the Borrower consisting of Revolving Loans made on the same day by the Banks ratably according to their respective Revolving Loan Commitments.

"Revolving Loan Commitment" has the meaning specified in Section 2.1(a).

"S&P" means Standard & Poor's Ratings Group.

"Scheduled Revolving Loan Commitment Reduction Date" has the meaning specified in Section 2.3(b).

"Single-Employer Plan" shall mean a single-employer plan as defined in section 4001(a)(15) of ERISA which is subject to the provisions of Title IV of ERISA.

"Subsidiary" means, with respect to any Person, any corporation, partnership or other business entity of which more than 50% of the outstanding Equity having ordinary voting power to elect a majority of the board of directors of such entity (irrespective of whether, at the time, Equity of any other class or classes of such entity shall have or might have voting power by reason of the happening of any contingency) is, or of which more than 50% of the interests in which are, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person.

"Subsidiary Borrower" means Viacom International, as borrower under the Subsidiary Facility.

"Subsidiary Facility" means the Amended and Restated VII Credit Agreement, dated as of the date hereof, among Viacom International, the banks parties thereto, The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA and The Chase Manhattan Bank, as Managing Agents, The Bank of New York, as Documentation Agent, Citibank, N.A., as the Administrative Agent, JP Morgan Securities Inc. and Bank of America NT&SA, as the Syndication Agents, the banks identified as Agents on the signature pages thereof, as Agents, and the banks identified as Co-agents on the signature pages thereof, as Co-Agents.

"Syndication Agents" means each of JP Morgan Securities Inc. and Bank of America NT&SA acting in such capacity, or any successor in such capacity.

"Tax Affiliate" means, as to any Person, (i) any Subsidiary of such Person, or (ii) any Affiliate of such Person with which such Person files or is required to file consolidated, combined or unitary tax returns.

"Tax Sharing Agreement" means the Income Tax Agreement, dated as of August 15, 1987, as amended, among NAI, the Borrower and Viacom International.

"Term Loan" means a Loan made to the Borrower pursuant to Section 3.1.

"Term Loan Borrowing" means a borrowing by the Borrower consisting of Term Loans made on the same day by the Banks ratably according to their respective Term Loan Commitments.

"Term Loan Commitment" has the meaning specified in Section 3.1(a).

"Title IV Plan" means a Pension Plan, other than a Multiemployer Plan, which is covered by Title IV of ERISA.

"Total Cash Interest and Preferred Dividends" means, for any period, the sum of the following amounts: (i) the cash interest expense incurred by the Borrower and its Subsidiaries during the preceding four Fiscal Quarters with respect to the aggregate amount of all Indebtedness outstanding during such period plus (ii) the cash dividends paid by the Borrower and its Subsidiaries to Persons other than the Borrower and its wholly owned Subsidiaries during such four Fiscal Quarters with respect to preferred stock.

"Total Debt" of the Borrower and its Subsidiaries means, on any date, the total outstanding Indebtedness of the Borrower and its Subsidiaries on a consolidated basis; provided that for purposes of calculating the Total Leverage Ratio, Total Debt shall be reduced by 65% of cash, Cash Equivalents and short-term investments held by the Borrower and its Subsidiaries on a consolidated basis.

"Total Leverage Ratio" means the consolidated ratio of Total Debt to EBITD as to the Borrower.

"UPN Network" means United Paramount Network.

"Viacom International" means Viacom International Inc., a Delaware corporation and a wholly owned subsidiary of the Borrower.

"VII Guarantee" means the guarantee by Viacom International of the obligations of the Borrower pursuant to this Agreement, substantially in the form of Exhibit B hereto.

"Withdrawal Liability" means, as to any Person, at any time, the aggregate amount of the liabilities, if any, of such Person pursuant to Section 4201 of ERISA.

1.2. Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

1.3. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

The parties hereto agree, however, that in the event that any change in accounting principles from those used in the preparation of the financial statements referred to in Section 6.4(a) is hereafter occasioned by the promulgation of rules, regulations, pronouncements, opinions and statements by or required by the Financial Accounting Standards Board or Accounting Principles Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and such change materially affects the calculation of any component of any financial covenant, standard or term contained in this Agreement, the Managing Agents and the Borrower shall negotiate in good faith to amend such financial covenants, standards or terms found in this Agreement (other than in respect of financial statements to be delivered hereunder) so that, upon adoption of such changes, the criteria for evaluation of the Borrower's and its Subsidiaries' financial condition shall be the same after such change as if such change had not been made; provided, however, that (i) any such

amendments shall not become effective for purposes of this Agreement unless approved by the Majority Banks and (ii) if the Borrower and the Majority Banks cannot agree on such an amendment, then the calculations under such financial covenants, standards or terms shall continue to be computed without giving effect to such change in accounting principles.

ARTICLE II

AMOUNT AND TERMS OF THE REVOLVING LOANS

2.1. The Revolving Loans. (a) The Revolving Loans. On the terms and subject to the conditions contained in this Agreement, each Bank severally agrees to make (or continue) Revolving Loans to the Borrower from time to time on any Business Day during the period from the Initial Funding Date until the Commitment Termination Date in an aggregate amount not to exceed at any time outstanding the amount set forth opposite such Bank's name on Schedule II as its "Revolving Loan Commitment" (as adjusted from time to time by reason of assignments in accordance with the provisions of Section 12.7 and as such amount may be reduced pursuant to Section 2.3 such Bank's "Revolving Loan Commitment"); provided, however, that, following the making of each such proposed Revolving Loan, the aggregate amount of all Revolving Loans, together with the aggregate face amount of Commercial Paper outstanding, shall not exceed the aggregate amount of the Revolving Loan Commitment of the Banks at such time. Within the limits of each Bank's Revolving Loan Commitment, amounts borrowed under this Section 2.1(a) and prepaid pursuant to Section 2.5 may be reborrowed under this Section 2.1(a).

(b) Evidence of Debt. (i) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness to such Bank resulting from each Revolving Loan made by such Bank to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(ii) The Register maintained by the Administrative Agent pursuant to Section 12.7(g) shall include a "Revolving Loan contract control account" for each Bank, in which account shall be recorded (A) the date and amount of each Revolving Loan Borrowing hereunder, (B) the amount and type of each Bank's Revolving Loan comprising such Borrowing and any Interest Period applicable thereto, (C) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank with respect to each such Revolving Loan hereunder and (D) the amount of any sum received by the Administrative Agent from the Borrower with respect to such Revolving Loans hereunder and each Bank's Ratable Portion thereof.

(iii) The entries made in the Register in respect of the Revolving Loans shall be conclusive and binding for all purposes, absent manifest error.

2.2. Making the Revolving Loans. (a) Each Revolving Loan Borrowing shall be made upon receipt of a Notice of Borrowing, given by the Borrower to the Administrative Agent not later than (i) 9:30 A.M. (New York City time) on the Business Day of the proposed Revolving Loan Borrowing, in the event such Revolving Loan Borrowing is to be comprised of Base Rate Loans, and (ii) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Loan Borrowing, in the event such Revolving Loan Borrowing is to be comprised of Eurodollar Rate Loans.

(b) The Administrative Agent shall give to each Bank prompt notice (but in any event on the same day) of its receipt of a Notice of Borrowing in respect of Revolving Loans and, if Eurodollar Rate Loans are properly requested in such Notice of Borrowing, upon its determination thereof, notice of the applicable interest rate under Section 4.3(b). Each Bank shall, before 11:00 A.M. (or in the case of a Revolving Loan Borrowing being made on the same day, before 12:00 noon) (New York City time) on the date of the proposed Revolving Loan Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 12.2, in immediately available funds, such Bank's Ratable Portion of such proposed Revolving Loan Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article V, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address.

(c) Each Revolving Loan Borrowing pursuant to this Section 2.2 shall be in an aggregate amount of not less than \$5,000,000 or an integral multiple of \$5,000,000 in excess thereof.

(d) Each Notice of Borrowing pursuant to this Section 2.2 shall be irrevocable and binding on the Borrower. In the case of any proposed Revolving Loan Borrowing comprised of Eurodollar Rate Loans, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such proposed Borrowing the applicable conditions set forth in Article V, including, without limitation, any loss (excluding loss of the margin payable in accordance with Section 4.2 on the amount of principal not borrowed as a result of such failure), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund any Eurodollar Rate Loan to be made by such Bank as part of such proposed Revolving Loan Borrowing when such Eurodollar Rate Loan, as a result of such failure, is not made on such date.

(e) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any proposed Revolving Loan Borrowing pursuant to this Section 2.2 that such Bank will not make available to the Administrative Agent such Bank's Ratable Portion of such Revolving Loan Borrowing, the Administrative Agent may assume that such Bank has made such Ratable Portion available to the Administrative Agent on the date of such Revolving Loan Borrowing in accordance with this Section 2.2 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such Ratable Portion available to the Administrative Agent and the Administrative Agent has so made available such amount, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to the Revolving Loan comprising such Revolving Loan Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Revolving Loan as part of such Borrowing for purposes of this Agreement. If the Borrower shall repay to the Administrative Agent such corresponding amount, such payment shall not relieve such Bank of any obligation it may have to the Borrower hereunder.

(f) The failure of any Bank to make the Revolving Loan to be made by it as part of any Revolving Loan Borrowing pursuant to this Section 2.2 shall not relieve any other Bank of its obligation, if any, hereunder to make its Revolving Loan on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Revolving Loan to be made by such other Bank on the date of any such Revolving Loan Borrowing.

2.3. Termination/Reduction of the Revolving Loan Commitments. (a) Scheduled Reductions. The Revolving Loan Commitment of each Bank shall be automatically reduced on each date specified in column (x) below (each such date, a "Scheduled Revolving Loan Commitment Reduction Date") by an amount equal to such Bank's Ratable Portion of the amount specified in column (y) below opposite such date:

(x) Scheduled Revolving Loan Commitment Reduction Date -----	(y) Amounts of Reduction of Loan Commitments -----
July 1, 1998	211,538,000
October 1, 1998	211,538,000
January 1, 1999	211,538,000

(x) Scheduled Revolving Loan Commitment Reduction Date -----	(y) Amounts of Reduction of Loan Commitments -----
April 1, 1999	211,538,000
July 1, 1999	211,538,000
October 1, 1999	211,538,000
January 1, 2000	317,308,000
April 1, 2000	317,308,000
July 1, 2000	317,308,000
October 1, 2000	317,308,000
January 1, 2001	370,192,000
April 1, 2001	370,192,000
July 1, 2001	370,192,000
October 1, 2001	370,192,000
January 1, 2002	493,590,000
April 1, 2002	493,590,000
July 1, 2002	493,592,000

The amounts under (y) shall be adjusted in the amounts and in the manner required under Section 2.3(b).

(b) Optional Reductions. The Borrower shall have the right, upon at least three Business Days' prior notice to the Administrative Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Revolving Loan Commitments of the Banks; provided, however, that each partial reduction shall be in the aggregate amount of not less than \$5,000,000 or an integral multiple of \$5,000,000 in excess thereof; and provided further, however, that if any such optional reduction of the Revolving Loan Commitment that is made at the Borrower's option as a result of the receipt by the Borrower of Net Cash Proceeds of asset sales or Capital Market Transactions shall be made (a) 50% in order of scheduled commitment reductions, and (b) 50% pro rata among all remaining scheduled commitment reductions applicable to the Revolving Loan Commitment; except as provided in the second proviso above, optional reductions may be allocated against Scheduled Revolving Loan Commitment Reduction Dates in any manner requested by the Borrower.

(c) Payment of Commitment Fee. Simultaneously with any termination or reduction of the Revolving Loan Commitments pursuant to this Section 2.3, the Borrower shall pay to the Administrative Agent for the account of each Bank the applicable Commitment Fee, if any, on the amount of the Revolving Loan Commitments so terminated or reduced and owed to such Bank through the date of such termination or reduction.

2.4. Repayment of the Revolving Loan. The Borrower shall repay the outstanding principal amount of the Revolving Loan (together with all accrued but unpaid interest thereon) in full on the Commitment Termination Date.

2.5. Optional Prepayments of the Revolving Loan. The Borrower may, upon at least three Business Days' prior notice (or at least one Business Day's prior notice in the case of Base Rate Loans), to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Revolving Loan comprising a part of the same Revolving Loan Borrowing, in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that the Borrower shall indemnify the Banks pursuant to Section 12.4(c) in the event that any prepayment of any Eurodollar Rate Loans shall be made on a day other than the last day of an Interest Period for such Loans; and provided further, however, that each partial prepayment permitted under this Section 2.5 shall be in an aggregate amount not less than \$5,000,000 or integral multiples of \$1,000,000 in excess thereof.

2.6. Mandatory Prepayment. The Borrower shall prepay Revolving Loans to the extent necessary to ensure that (i) the aggregate amount of all Revolving Loans outstanding will not at any time exceed the Revolving Loan Commitments of the Banks and (ii) the aggregate amount of all Revolving Loans outstanding, together with the aggregate face amount of Commercial Paper outstanding, will not at any time exceed the aggregate amount of the Revolving Loan Commitments of the Banks. Any prepayments required to assure that the aggregate unused amount of the Revolving Loan Commitments is not less than the face amount of outstanding Commercial Paper shall be applied to the Revolving Loans.

ARTICLE III

THE TERM LOANS

3.1. The Term Loans. (a) The Term Loans. On the terms and subject to the conditions contained in this Agreement, each Bank severally agrees to make (or continue) a Term Loan to the Borrower on the Initial Funding Date in an amount not to exceed the amount set forth opposite such Bank's name on Schedule II as its "Term Loan Commitment" (as adjusted from time to time by reason of assignments in accordance with the provisions of Section 12.7 and as such amount may be reduced pursuant to Section 3.3, such Bank's "Term Loan Commitment").

(b) Evidence of Debt. (i) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness to such Bank resulting from the Term Loan made by such Bank to the Borrower, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(ii) The Register maintained by the Administrative Agent pursuant to Section 12.7(g) shall include a "Term Loan contract control account" for each Bank, in which account shall be recorded (A) the date and amount of any Term Loan Borrowing hereunder, (B) the amount and type of each Bank's Term Loan comprising such Borrowing and any Interest Period applicable thereto, (C) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank with respect to each such Term Loan hereunder and (D) the amount of any sum received by the Administrative Agent from the Borrower with respect to such Term Loans hereunder and each Bank's Ratable Portion thereof.

(iii) The entries made in the Register in respect of Term Loans shall be conclusive and binding for all purposes, absent manifest error.

3.2. Making the Term Loans. (a) The Term Loan Borrowing shall be made upon receipt of a Notice of Borrowing, given by the Borrower to the Administrative Agent not later than (i) 9:30 A.M. (New York City time) on the Initial Funding Date, in the event the Term Loan Borrowing is to be comprised of Base Rate Loans, and (ii) 11:00 A.M. (New York City time) on the third Business Day prior to the Initial Funding Date, in the event the Term Loan Borrowing is to be comprised of Eurodollar Rate Loans.

(b) The Administrative Agent shall give to each Bank prompt notice (but in any event on the same day) of its receipt of a Notice of Borrowing in respect of Term Loans and, if Eurodollar Rate Loans are properly requested in such Notice of Borrowing, upon its determination thereof, notice of the applicable interest rate under Section 4.3(b). Each Bank shall, before 11:00 A.M. (or in the case of a Term Loan Borrowing being made on the same day, before 12:00 noon) (New York City time) on the date of the proposed Term Loan Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 12.2, in immediately available funds, such Bank's Ratable Portion of such proposed Term Loan Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article V, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's above-referenced address.

(c) The Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of a proposed Term Loan Borrowing comprised of Eurodollar Rate

Loans, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in the Notice of Borrowing the applicable conditions set forth in Article V, including, without limitation, any loss (excluding loss of the margin payable in accordance with Section 4.2 on the amount of principal not borrowed as a result of such failure), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Eurodollar Rate Loan to be made by such Bank as part of the proposed Term Loan Borrowing when such Eurodollar Rate Loan, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Bank prior to the date of the proposed Term Loan Borrowing that such Bank will not make available to the Administrative Agent such Bank's Ratable Portion of the Term Loan Borrowing, the Administrative Agent may assume that such Bank has made such Ratable Portion available to the Administrative Agent on the date of the Term Loan Borrowing in accordance with this Section 3.2 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such Ratable Portion available to the Administrative Agent and the Administrative Agent has so made available such amount, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to the Term Loans comprising the Term Loan Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Term Loan as part of such Borrowing for purposes of this Agreement. If the Borrower shall repay to the Administrative Agent such corresponding amount, such payment shall not relieve such Bank of any obligation it may have to the Borrower hereunder.

(e) The failure of any Bank to make its Term Loan shall not relieve any other Bank of its obligation, if any, hereunder to make its Term Loan on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Term Loan to be made by such other Bank.

3.3. Repayment of Term Loans. The principal amount of the Term Loan of each Bank shall be payable in quarterly installments on January 1, April 1, July 1 and October 1 of each year, commencing July 1, 1998, and ending on April 1, 2002, in an amount equal to such Bank's Ratable Portion of the quarterly amounts set forth in column (y) below opposite the period specified in column (x) during which such date occurs:

(x)	(y)
Quarter	Required Quarterly Amounts of Term Loan Reductions
-----	-----
July 1, 1998	38,462,000
October 1, 1998	38,462,000
January 1, 1999	38,462,000
April 1, 1999	38,462,000
July 1, 1999	38,462,000
October 1, 1999	38,462,000
January 1, 2000	57,692,000
April 1, 2000	57,692,000
July 1, 2000	57,692,000
October 1, 2000	57,692,000
January 1, 2001	67,308,000
April 1, 2001	67,308,000
July 1, 2001	67,308,000
October 1, 2001	67,308,000
January 1, 2002	89,744,000
April 1, 2002	79,484,000

The amounts under (y) shall be adjusted in the amounts and in the manner required under Section 3.4.

3.4. Optional Prepayments of the Term Loans. The Borrower may, upon at least three Business Days' prior notice (or at least one Business Day's prior notice in the case of Base Rate Loans) to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Term Loans, in whole or in part, together with accrued interest to the date of such prepayment; provided, however, that the Borrower shall indemnify the Banks pursuant to Section 12.4(c) in the event that any prepayment of any Eurodollar Rate Loans shall be made on a day other than the last day of an Interest Period for such Loans. Amounts borrowed under Section 3.1(a) and prepaid pursuant to this Section 4.4 may not be reborrowed. Any such prepayment of the Term Loans that is made at the Borrower's option as a result of the receipt by the Borrower of Net Cash Proceeds of asset sales or Capital Market Transactions shall be applied (a) 50% in order of maturity, and (b) 50% pro rata among all remaining maturities applicable to the Term Loan Commitment; any other prepayment made at the Borrower's option may be allocated among remaining maturities in any manner requested by the Borrower. Upon any prepayment of the Term Loans, the Term Loan Commitment shall be reduced by the amount of any such prepayment.

ARTICLE IV

CONVERSION, INTEREST, PAYMENTS, FEES, ETC.

4.1. Conversion/Continuation Option. The Borrower may elect (i) at any time to convert Base Rate Loans or any portion thereof to Eurodollar Rate Loans or (ii) at the end of any Interest Period with respect thereto, to convert Eurodollar Rate Loans or any portion thereof into Base Rate Loans, or to continue such Eurodollar Rate Loans or any portion thereof as Eurodollar Rate Loans for an additional Interest Period; provided, however, that the aggregate of the Eurodollar Rate Loans of the Borrower so converted or so continued for each Interest Period must be in the amount of \$5,000,000 or an integral multiple of \$5,000,000 in excess thereof. Each such election shall be in substantially the form of Exhibit C hereto (a "Notice of Conversion or Continuation") and shall be made by giving the Administrative Agent at least one Business Day's, in the case of a conversion to a Base Rate Loan, and three Business Days', in the case of a conversion to or a continuation of a Eurodollar Rate Loan, prior written notice thereof specifying (A) the amount and type of conversion or continuation, (B) in the case of a conversion to or a continuation of Eurodollar Rate Loans, the Interest Period therefor, and (C) in the case of a conversion the date of conversion (which date shall be a Business Day and, if a conversion from a Eurodollar Rate Loan, shall also be the last day of the Interest Period therefor). The Administrative Agent shall promptly (but in any event on the same day) notify each Bank of its receipt of a Notice of Conversion or Continuation and of the contents thereof. Notwithstanding the foregoing, no conversion in whole or in part of Base Rate Loans to Eurodollar Rate Loans, and no continuation in whole or in part of Eurodollar Rate Loans upon the expiration of any Interest Period therefor, shall be permitted at any time at which an Event of Default shall have occurred and be continuing. If, within the time period required under the terms of this Section 4.1, the Administrative Agent does not receive a Notice of Conversion or Continuation from the Borrower containing an election to continue all or any portion of the Eurodollar Rate Loans for an additional Interest Period or to convert all or any portion of such Loans, then, upon the expiration of the Interest Period therefor, such Loans or the portions thereof for which an election to continue or convert has not been made will be automatically converted to Base Rate Loans. Each Notice of Conversion or Continuation shall be irrevocable.

4.2. Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan from the date thereof until the principal amount thereof shall be paid in full, at the following rates per annum:

(a) Base Rate Loans. For Base Rate Loans, at a rate per annum equal at all times to the Base Rate in effect from time to time, payable quarterly in arrears on the last day of each September, December, March and June, on the

Commitment Termination Date and on the date any Base Rate Loan is converted or paid in full.

(b) Eurodollar Rate Loans. For Eurodollar Rate Loans, at a rate per annum equal at all times during the applicable Interest Period for each Eurodollar Rate Loan to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Eurodollar Rate Margin, payable in arrears (i) on the last day of such Interest Period and (ii) if such Interest Period has a duration of more than three months, on each day during such Interest Period that occurs every three months from the first day of such Interest Period.

(c) Default Rate of Interest. If any amount of principal of any Loan is not paid when due, whether at stated maturity, by acceleration or otherwise, the interest rate applicable to any such amount shall be increased by 2.00% per annum, payable on demand, and if any interest, fee or other amount payable hereunder is not paid when due, such amount shall bear interest at a rate per annum equal at all times to the Base Rate in effect from time to time plus 2% per annum payable on demand.

4.3. Interest Rate Determination and Protection. (a) In the event that the Eurodollar Rate is not available from the Telerate Page, the Eurodollar Rate for each Interest Period for Eurodollar Rate Loans shall be determined by the Administrative Agent on the basis of applicable rates furnished to and received by the Administrative Agent from the Reference Banks two Business Days before such Interest Period. Each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining each Eurodollar Rate. If any of the Reference Banks shall not furnish such timely information to the Administrative Agent for the purpose of determining any such interest rate, the Administrative Agent shall determine such interest rate on the basis of timely information furnished by the other Reference Bank or Reference Banks.

(b) The Administrative Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Administrative Agent for purposes of Section 4.2(a) or (b), and the applicable rate, if any, furnished by each Reference Bank for the purpose of determining the applicable interest rate under Section 4.2(b).

(c) If, with respect to Eurodollar Rate Loans, the Majority Banks determine in good faith and notify the Administrative Agent that the Eurodollar Rate for any Interest Period will not adequately reflect the cost to such Banks of making such Loans or funding or maintaining their respective Eurodollar Rate Loans for such Interest

Period, the Administrative Agent shall forthwith so notify the Borrower and the Banks, whereupon

(i) each Eurodollar Rate Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan unless the Majority Banks notify the Administrative Agent that the circumstances causing such conversion no longer exist and the Borrower delivers a timely Notice of Conversion or Continuation with respect to such Loans; and

(ii) the obligations of the Banks to make Eurodollar Rate Loans or to convert Loans into Eurodollar Rate Loans shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

4.4. Fees. (a) The Borrower will pay on the last day of each Fiscal Quarter to each of the Banks quarterly in arrears a fee (the "Commitment Fee") accruing from the Original Funding Date to the Initial Funding Date at the rate and to the Banks as provided for in the Existing Agreement and accruing thereafter, in the case of each Bank listed on the signature pages hereof, and from any later effective date of the assignment pursuant to which it became a Bank, in the case of each other Bank, until the Commitment Termination Date, on such Bank's aggregate average daily unused Commitment as in effect from time to time at the rate set forth below opposite the Credit Rating applicable to the Borrower on such date:

CREDIT RATING	COMMITMENT FEE
A-/A3 or better	0.1000%
BBB+/Baa1	0.1250%
BBB/Baa2	0.1500%
BBB-/Baa3	0.1750%
BB+/Ba1	0.2250%
BB/Ba2	0.2750%
BB-/Ba3 or lower	0.3250%

; provided, however, that if the ratings assigned by S&P and Moody's shall differ the Credit Rating shall be the rating which is the higher rating. Any change in the Credit Rating of the Borrower shall be effective to adjust the Commitment Fee as of the date such change is announced.

(b) The Borrower has agreed to pay to the Banks, Managing Agents, Agents, Co-Agents and Arrangers certain other fees which are earned on the date of the signing of this Agreement and payable on the Initial Funding Date as separately agreed.

4.5. Increased Costs. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in, or in the interpretation of, any law or regulation or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost (other than with respect to income, franchise or withholding taxes or other taxes of a similar nature) to any Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans, then (A) such Bank shall, as soon as such Bank becomes aware of such increased cost, but in any event not later than 60 days after such increased cost was incurred, deliver to the Borrower and the Administrative Agent a certificate stating (1) the actual amount of such increased cost incurred by such Bank and (2) that it is such Bank's customary practice, from and after the date of this Agreement, to charge its borrowers for increased costs incurred by it; (B) the Borrower shall, within 30 days after its receipt of such certificate, at its sole option, either (1) pay to the Administrative Agent for the account of such Bank amounts sufficient to compensate such Bank for the increased cost incurred by it as set forth in the certificate referred to above or (2) replace such Bank in accordance with the provisions of Section 4.10, provided that if the Borrower does not exercise the option specified in clause (2) above within 30 days after receipt of the certificate referred to above, then (x) such Bank shall deliver to the Borrower and the Administrative Agent a second certificate stating the increased cost incurred by such Bank and (y) the Borrower shall promptly upon receipt of such second certificate pay to the Administrative Agent for the account of such Bank amounts sufficient to compensate such Bank for such increased cost; and (C) such Bank shall use its reasonable best efforts to designate another of its then existing offices as its Applicable Lending Office if the making of such designation would, without any detrimental effect to such Bank, avoid the need for, or reduce the amount of, future increased costs which are probable of being incurred by such Bank. The amount of increased costs payable by the Borrower to any Bank as stated in any such certificate delivered to the Borrower and the Administrative Agent pursuant to the provisions of this Section 4.5(a) shall be conclusive and binding for all purposes, absent manifest error. In determining any such amount, such Bank may use reasonable averaging and attribution methods. If the Borrower so notifies the Administrative Agent within five Business Days after receipt of any certificate delivered to the Borrower pursuant to the provisions of this Section 4.5(a), the Borrower may either (x) prepay in full all Eurodollar Rate Loans of such Bank then outstanding in accordance with Section 4.8 and, additionally, reimburse such Bank for such increased cost in accordance with this Section 4.5(a) or (y) convert all Eurodollar Rate Loans of all Banks then outstanding into Base Rate Loans in accordance

with Section 4.1 and, additionally, reimburse such Bank for such increased cost in accordance with this Section 4.5(a).

(b) If any Bank shall be required under Regulation D to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, then (i) such Bank shall, within 60 days after the end of any Interest Period with respect to any Eurodollar Rate Loan during which such Bank was so required to maintain such reserves, deliver to the Borrower and the Administrative Agent a certificate stating (A) that such Bank was required to maintain reserves and as a result such Bank incurred additional costs in connection with making Eurodollar Rate Loans, (B) in reasonable detail, such Bank's computations of the amount of additional interest payable by the Borrower pursuant to the provisions of this Section 4.5(b)(ii) and (C) that it is such Bank's customary practice, from and after the date of this Agreement, to charge its borrowers for reserves so maintained by it, and (ii) the Borrower shall, promptly upon receipt of any such certificate, pay to the Administrative Agent, for the account of such Bank, additional interest on the unpaid principal amount of each Eurodollar Rate Loan of such Bank outstanding during the Interest Period with respect to which the above-referenced certificate was delivered to the Borrower, at a rate per annum equal to the difference obtained by subtracting (x) the Eurodollar Rate for such Interest Period from (y) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period. The amount of interest payable by the Borrower to any Bank as stated in any certificate delivered to the Borrower and the Administrative Agent pursuant to the provisions of this Section 4.5(b) shall be conclusive and binding for all purposes, absent manifest error.

(c) The payments required under Sections 4.5(a) and (b) are in addition to any other payments and indemnities required under this Agreement.

4.6. Illegality. Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation, in each case after the date hereof, shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Bank or its Eurodollar Lending Office to make Eurodollar Rate Loans or to continue to fund or maintain Eurodollar Rate Loans, then, on notice thereof and demand therefor by such Bank to the Borrower through the Administrative Agent, (i) the obligation of such Bank to make or to continue Eurodollar Rate Loans and to convert Base Rate Loans into Eurodollar Rate Loans shall be suspended until such Bank through the Administrative Agent shall notify the Borrower that the circumstances causing such suspension no longer exist and (ii) the Borrower shall forthwith prepay in full all Eurodollar Rate Loans of such Bank then outstanding, together with interest accrued thereon, unless the Borrower, within five Business Days of such notice and demand, converts all Eurodollar Rate Loans of all

Banks then outstanding into Base Rate Loans in accordance with the notice periods of Section 4.1; provided, however, that before making any such demand, each Bank agrees to use its reasonable best efforts to designate another of its then existing offices as its Applicable Lending Office if the making of such a designation would, without any detrimental effect to such Bank, cause the making of Eurodollar Rate Loans to not be subject to this Section 4.6.

4.7. Capital Adequacy. If any Bank shall, at any time, reasonably determine that (a) the adoption (i) after the date of this Agreement, of any capital adequacy guidelines or (ii) at any time, of any other applicable law, government rule, regulation or order regarding capital adequacy of banks or bank holding companies, (b) any change in (i) any of the foregoing or (ii) the interpretation or administration of any of the foregoing by any Governmental Authority, central bank or comparable agency or (c) compliance with any policy, guideline, directive or request regarding capital adequacy (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) of any Governmental Authority, central bank or comparable agency, would have the effect of reducing the rate of return on the capital of such Bank to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration the policies of such Bank with respect to capital adequacy in effect immediately before such adoption, change or compliance) and (x) such reduction is as a consequence of the Commitment of, or the making, converting or continuing of any Loans by, such Bank hereunder and (y) such reduction is reasonably deemed by such Bank to be material, then (1) such Bank shall deliver to the Borrower and the Administrative Agent a certificate stating the reduction in the rate of return such Bank will in the future suffer as a result of its Commitment or the making, converting or continuing any Loans by it to the Borrower hereunder and (2) the Borrower shall, within 30 days after its receipt of such certificate, at its sole option, either (A) pay to the Administrative Agent for the account of such Bank from time to time as specified by such Bank such amount as shall be sufficient to compensate such Bank for such reduced return, or (B) replace such Bank in accordance with the provisions of Section 4.10; provided, however, that if the Borrower does not exercise the option specified in clause (B) above within 30 days after receipt of the certificate referred to above, then (1) such Bank shall deliver to the Borrower and the Administrative Agent a second certificate stating the reduction in the rate of return of such Bank and (2) the Borrower shall promptly pay, as specified by such Bank, to the Administrative Agent for the account of such Bank amounts sufficient to compensate such Bank for the reduction in its rate of return. The amount stated in any certificate delivered to the Borrower pursuant to the provisions of this Section 4.7 shall be conclusive and binding for all purposes, absent manifest error. In determining any such amount, such Bank may use reasonable averaging and attribution methods. The payments required under this Section 4.7 are in addition to any other payments and indemnities required hereunder.

4.8. Payments and Computations. (a) The Borrower shall make each payment payable by it hereunder not later than 11:00 A.M. (New York City time) on the day when due, in Dollars, to the Administrative Agent at its address referred to in Section 12.2 in immediately available funds without set-off or counterclaim. The Administrative Agent will promptly thereafter (but in any event on the same day) cause to be distributed like funds relating to the payment of principal or interest or fees ratably (other than amounts payable pursuant to Section 4.5, 4.6 or 4.7) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Payment received by the Administrative Agent after 11:00 A.M. (New York City time) shall be deemed to be received on the next Business Day; provided, however, that the Administrative Agent shall use its reasonable best efforts to invest any amounts so received by the Administrative Agent in overnight investments satisfactory to the Borrower, and any earnings on any such investments shall be for the Borrower's account and may be credited against any interest payable hereunder during such period.

(b) All computations of the Commitment Fee or of interest based on the rate of interest specified in clause (a) of the definition of Base Rate and of fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest and fees are payable. All computations of the Commitment Fee shall be based on the aggregate average daily unused Commitment of each Bank. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent forthwith

on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

4.9. Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans made by it (other than pursuant to Section 4.5, 4.6 or 4.7) in excess of its Ratable Portion of payments on account of the Loans obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and each such Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 4.9 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

4.10. Replacement Banks. Upon the election of the Borrower to replace any Bank pursuant to the provisions of Section 4.5(a)(B)(2) or 4.7(2)(B), the Borrower shall provide to the Administrative Agent a notice setting forth the replacement Bank or Banks, and the Bank being so replaced shall take all actions as may be necessary to transfer to such replacement Bank or Banks all of the rights and obligations of such Bank hereunder and such replacement Bank or Banks shall pay to the Bank being so replaced the amount outstanding of all Loans made by such Bank hereunder (with appropriate provisions for other amounts due to the Bank being replaced), all as though such replacement Bank or Banks were an assignee or assignees of such Bank to which such Bank were making an assignment in accordance with the provisions of Section 12.7.

ARTICLE V

CONDITIONS OF LENDING

5.1. Conditions Precedent to the Effectiveness of this Agreement. The effectiveness of this Agreement is subject to satisfaction of the conditions precedent that the Managing Agents shall have received the following, in form and substance

satisfactory to the Managing Agents, and in sufficient copies for each Bank that requests a copy:

(a) Certified copies of (i) appropriate resolutions of the Board of Directors (or committee thereof) of each Loan Party approving each Loan Document to which it is a party (as such Loan Document may be amended through the date hereof), and (ii) all documents evidencing any other necessary corporate action and required governmental and any third party approvals, licenses and consents with respect to each Loan Document to which it is a party.

(b) A copy of the certificate of incorporation of each Loan Party certified as of a recent date by the Secretary of State of such Person's jurisdiction of incorporation, together with certificates of such official attesting to the good standing of such Person, and a copy of the By-Laws of each such Person certified by its Secretary or one of its Assistant Secretaries.

(c) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of its officers who have been authorized to execute and deliver each Loan Document to which it is a party and each other document and certificate to be executed or delivered hereunder on behalf of such Person.

(d) A favorable opinion of Michael D. Fricklas, Senior Vice President and Deputy General Counsel of Viacom, in substantially the form of Exhibit D hereto.

(e) A duly executed Subsidiary Facility.

(f) A duly executed VII Guarantee.

(g) A duly executed Parent Guarantee.

5.2. Additional Conditions Precedent to the Making of the Initial Loans. The effectiveness of this Agreement and making of any Loans simultaneously thereunder and thereafter is subject to the further conditions precedent that on the date of such Loans the following statements shall be true:

(a) The Borrower shall have paid all costs, accrued and unpaid fees and expenses referred to in Sections 4.4 and 12.4 (including, without limitation, the legal fees and expenses referred to in Section 12.4(a)), in each case to the extent then due and payable.

(b) All Indebtedness (including all theretofore accrued but unpaid Commitment Fees and interest) of the Borrower, Viacom International and the MSubs (as defined in the Existing Agreement) under (i) the Existing Agreement; (ii) the \$1.8 billion Credit Facility; and (iii) the Existing Subsidiary Facility shall have been (or shall simultaneously be) refinanced pursuant to the terms of this Agreement or the Subsidiary Facility or otherwise been repaid.

5.3. Conditions Precedent to the Making of Each Loan. The obligation of each Bank to make any Loan, including the initial Loans, shall be subject to the further conditions precedent that the following statements shall be true on the date of such Loan, before and after giving effect thereto and to the application of the proceeds therefrom (and the acceptance by the Borrower of the proceeds of such Loan shall constitute a representation and warranty by the Borrower that on the date of such Loan such statements are true):

(a) The representations and warranties contained in Article VI hereof (other than those stated to be made as of a particular date) are true and correct in all material respects on and as of such date as though made on and as of such date.

(b) No event has occurred and is continuing, or would result from the Loans being made on such date, which constitutes a Default or an Event of Default.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

To induce the Banks to enter into this Agreement, the Borrower represents and warrants to the Banks as follows:

6.1. Corporate Existence; Compliance with Law. The Borrower, each other Loan Party and each other Material Subsidiary (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (ii) is duly qualified and in good standing as a foreign corporation under the laws of each other jurisdiction in which the failure so to qualify is reasonably probable to have a Material Adverse Effect; (iii) has all requisite corporate power and authority to conduct its business as now being conducted and as proposed to be conducted; (iv) is in compliance with its articles or certificate of incorporation and by-laws; and (v) is in compliance with all applicable Requirements of Law except such non-compliance as would not have a Material Adverse Effect.

6.2. Corporate Power; Authorization; Enforceable Obligations. (a)

The execution, delivery and performance by each Loan Party of this Agreement or any other Loan Document to which it is a party:

(i) are within its corporate powers;

(ii) have been duly authorized by all necessary corporate action;

(iii) do not (A) contravene its certificate of incorporation or by-laws, (B) violate any law or regulation (including, without limitation, Regulations G, T, U or X of the Board of Governors of the Federal Reserve System), or any order or decree of any court or governmental instrumentality, except those as to which the failure to comply would not have a Material Adverse Effect, (C) conflict with or result in the breach of, or constitute a default under, any instrument, document or agreement binding upon and material to such Loan Party, or (D) result in the creation or imposition of any Lien upon any of the Property of the Borrower or any of its Subsidiaries; and

(iv) do not require the consent of, authorization by, approval of, notice to, or filing or registration with, any Governmental Authority (except for filing copies of Loan Documents with the Securities and Exchange Commission).

(b) This Agreement and each other Loan Document has been duly executed and delivered by each Loan Party that is a party hereto or thereto, and is the legal, valid and binding obligation of each such Person, enforceable against it in accordance with its terms, except where such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or equitable principles relating to enforceability.

6.3. Taxes. All federal, and all material state, local and foreign tax returns, reports and statements required to be filed by the Borrower or any of its Subsidiaries have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed. All consolidated, combined or unitary returns which include the Borrower or any of its Subsidiaries have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed except where such filing is being contested or may be contested. All federal, and all material state, local and foreign taxes, charges and other impositions of the Borrower, its Subsidiaries or any consolidated, combined or unitary group which includes the Borrower or any of its Subsidiaries which are due and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof except where contested in good faith and by appropriate

proceedings if adequate reserves therefor have been established on the books of the Borrower or such Subsidiary in accordance with GAAP. Proper and accurate amounts have been withheld by or on behalf of the Borrower and each of its Subsidiaries from their respective employees for all periods in full and complete compliance with the tax, social security and unemployment withholding provisions of applicable federal, state, local and foreign law and such withholdings have been timely paid to the respective governmental agencies, in all material respects. Neither the Borrower nor any of its Tax Affiliates has agreed or has been requested to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise relating to the Borrower or any of its Subsidiaries which will affect a taxable year of the Borrower or a Tax Affiliate ending after December 31, 1995, which has not been reflected in the financial statements delivered pursuant to Section 8.8 and which would have a Material Adverse Effect. The Borrower has no obligation under any tax sharing agreement or other tax sharing arrangement, other than the Tax Sharing Agreement and tax sharing agreements or other tax sharing arrangements providing for payments to Subsidiaries of the Borrower which are Tax Affiliates, which do not have a Material Adverse Effect.

6.4. Financial Information. (a) The reports of the Borrower on Form 10-K for the Fiscal Year ended December 31, 1995 and on Form 10-Q for the Fiscal Quarter ended September 30, 1996 are respectively complete and correct in all material respects as of such respective dates, and the financial statements therein have been prepared in accordance with GAAP and fairly present the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of such respective dates (subject, in the case of such reports on Form 10-Q, to changes resulting from normal year-end adjustments).

(b) Since September 30, 1996, there has been no Material Adverse Change or Material Credit Agreement Change.

(c) None of the Borrower or any Subsidiary of the Borrower had at September 30, 1996 any obligation, contingent liability, or liability for taxes or long-term leases material to the Borrower and its Subsidiaries taken as a whole which is not reflected in the balance sheets referred to in subsection (a) above or in the notes thereto.

6.5. Litigation. There are no pending, or to the best knowledge of the Borrower threatened, actions, investigations or proceedings against or affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator in which, individually or in the aggregate, there is a reasonable probability of an adverse decision that could have a Material Adverse Effect or result in a Material Credit Agreement Change.

6.6. Margin Regulations. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Borrowing will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock in violation of Regulation U.

6.7. ERISA. (a) No liability under Sections 4062, 4063, 4064 or 4069 of ERISA has been or is expected by the Borrower to be incurred by the Borrower or any ERISA Affiliate with respect to any Plan which is a Single-Employer Plan in an amount that could reasonably be expected to have a Material Adverse Effect.

(b) No Plan which is a Single-Employer Plan had an accumulated funding deficiency, whether or not waived, as of the last day of the most recent fiscal year of such Plan ended prior to the date hereof. Neither the Borrower nor any ERISA Affiliate is (A) required to give security to any Plan which is a Single-Employer Plan pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, or (B) subject to a Lien in favor of such a Plan under Section 302(f) of ERISA.

(c) Each Plan of the Borrower, each of its Subsidiaries and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code, except where the failure to comply would not result in any Material Adverse Effect.

(d) Neither the Borrower nor any of its Subsidiaries has incurred a tax liability under Section 4975 of the Code or a penalty under Section 502(i) of ERISA in respect of any Plan which has not been paid in full, except where the incurrence of such tax or penalty would not result in a Material Adverse Effect.

(e) None of the Borrower, any of its Subsidiaries or any ERISA Affiliate has incurred or reasonably expects to incur any Withdrawal Liability under Section 4201 of ERISA as a result of a complete or partial withdrawal from a Multiemployer Plan which will result in Withdrawal Liability to the Borrower, any of its Subsidiaries or any ERISA Affiliate in an amount that could reasonably be expected to have a Material Adverse Effect.

6.8. No Defaults. Neither the Borrower nor any of its Subsidiaries is in breach of or default under or with respect to any instrument, document or agreement binding upon the Borrower or such Subsidiary which breach or default is reasonably probable to have a Material Adverse Effect or result in the creation of a Lien on any Property of the Borrower or its Subsidiaries.

6.9. Investment Company Act. The Borrower is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended. The making of the Loans by the Banks, the application of the proceeds and repayment thereof by the Borrower and the consummation of the transactions contemplated by this Agreement will not violate any provision of such act or any rule, regulation or order issued by the Securities and Exchange Commission thereunder.

6.10. Insurance. All policies of insurance of any kind or nature owned by the Borrower and its Subsidiaries are maintained with financially sound and reputable insurers. The Borrower currently maintains insurance with respect to its Properties and business and causes its Subsidiaries to maintain insurance with respect to their Properties and business against loss or damage of the kinds customarily insured against by corporations engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations including, without limitation, workers' compensation insurance.

6.11. Environmental Protection. (a) There are no known conditions or circumstances associated with the currently or previously owned or leased properties or operations of the Borrower or its Subsidiaries or tenants which may give rise to any Environmental Liabilities and Costs which would have a Material Adverse Effect; and

(b) No Environmental Lien has attached to any Property of the Borrower or any of its Subsidiaries which would have a Material Adverse Effect.

6.12. Title and Liens. Each of the Borrower and each of its Subsidiaries has good and marketable title to its real properties and owns or leases under Capitalized Leases all its other material Properties, in each case, as shown on its most recent balance sheet, and none of such Properties is subject to any Lien except as permitted under this Agreement.

6.13. Trademarks, Copyrights, Etc. The Borrower and each of its Subsidiaries own or have the rights to such trademarks, service marks, trade names, copyrights, licenses or rights in any thereof, as in the aggregate are adequate in the reasonable judgment of the Borrower for the conduct of the business of the Borrower and its Subsidiaries as now conducted.

6.14. FCC Licenses. The Borrower and its Subsidiaries have all the FCC Licenses necessary for the conduct of their respective businesses as now being conducted. The Borrower and its Subsidiaries are in substantial compliance with the Federal Communications Act of 1934, as amended, and with the rules and regulations thereunder

except for such non-compliance which would not have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries is a party to, nor has any knowledge of, any investigation, notice of violation, order or complaint issued by or before the FCC, in which there is a reasonable probability of an adverse decision which is reasonably probable to have a Material Adverse Effect. The operation and maintenance of the towers and any antenna systems relating to each of the broadcast Properties owned by the Borrower and its Subsidiaries or used in connection with the transmission of signals therefrom do not violate any Requirement of Law except for such non-compliance which would not have a Material Adverse Effect. The Borrower and its Subsidiaries have no reason to believe that any FCC License of the Borrower and its Subsidiaries will not be renewed in the ordinary course except for such nonrenewal which would not have a Material Adverse Effect.

6.15. Disclosure. All written information relating to the Borrower and its Subsidiaries which has been delivered to the Banks in connection with the Loan Documents prior to the Initial Funding Date was complete and correct in all material respects, taken as a whole. Any financial projections and other information regarding anticipated future plans or developments contained therein was based upon good faith estimates and assumptions believed by the Borrower to be reasonable at the time made, it being recognized by the Banks that such projections and other information regarding future events are not to be viewed as facts and that actual results or developments during the period or periods covered may differ from the delivered projections and other prospective information.

ARTICLE VII

FINANCIAL COVENANTS

As long as any of the Loans shall remain unpaid or any Bank shall have any Commitment hereunder, unless otherwise agreed by the written consent of the Majority Banks:

7.1. Total Leverage Ratio. The Total Leverage Ratio shall not exceed, as of the last day of any Fiscal Quarter described below, the amount specified with respect to such period:

Date	Ratio
- - - - -	- - - - -
Through December 31, 1997	5.25x
March 31, 1998 through December 31, 1998	4.50x

Date	Ratio
- - - - -	- - - - -
March 31, 1999 and Thereafter	4.00x

7.2. Ratio of EBIDT to Trailing Total Cash Interest and Preferred Dividends. The ratio of EBIDT to Total Cash Interest and Preferred Dividends shall not be less, as of the last day of any Fiscal Quarter, than 2.25x.

7.3. Minimum Net Worth. On the last day of each Fiscal Quarter, the Net Worth of the Borrower and its Subsidiaries shall not be less than 75% of the Net Worth of the Borrower and its Subsidiaries as of September 30, 1994.

ARTICLE VIII

AFFIRMATIVE COVENANTS

As long as any of the Loans shall remain unpaid or any Bank shall have any Commitment hereunder, unless otherwise agreed by the written consent of the Majority Banks:

8.1. Compliance with Laws, Etc. The Borrower shall comply, and cause each of its Subsidiaries to comply, in all material respects with all Requirements of Law, all FCC Licenses and Franchises except such non-compliance as would not have a Material Adverse Effect or result in a Material Credit Agreement Change.

8.2. Payment of Taxes, Etc. The Borrower and any consolidated, combined or unitary group which includes the Borrower or any of its Subsidiaries shall pay and discharge, and cause each Subsidiary of the Borrower to pay and discharge, before the same shall become delinquent, all lawful claims, taxes, assessments and governmental charges or levies except where contested in good faith, by proper proceedings, and where adequate reserves therefor have been established on the books of the Borrower or such Subsidiary in accordance with GAAP.

8.3. Maintenance of Insurance. The Borrower shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates. The Borrower will furnish to the Administrative Agent from time to time such information as may be requested as to such insurance.

8.4. Preservation of Corporate Existence, Etc. The Borrower shall preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, their respective corporate existences; provided, however, that the corporate existence of any Subsidiary (other than a Guarantor Subsidiary) may be terminated if, in the good faith judgment of the board of directors or the chief financial officer of the Borrower, such termination is in the best interest of the Borrower and such termination would not have a Material Adverse Effect; and provided further, however, that the Borrower may merge into Viacom International, with Viacom International as the surviving corporation, provided that upon the effectiveness of such merger, Viacom International shall assume, pursuant to an instrument satisfactory to the Managing Agents, the obligations of the Borrower hereunder and under the other Loan Documents.

8.5. Books and Access. The Borrower shall, and shall cause each of its Subsidiaries to, keep proper books of record and accounts in conformity with GAAP, and upon reasonable notice and at such reasonable times during the usual business hours as often as may be reasonably requested, permit representatives of the Administrative Agent, at its own initiative or at the request of any Bank, to make inspections of its Properties, to examine its books, accounts and records and make copies and memoranda thereof and to discuss its affairs and finances with its officers or directors and independent public accountants.

8.6. Maintenance of Properties, Etc. The Borrower shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its Properties which are used or useful in the conduct of its business in good working order and condition and, from time to time make or cause to be made all appropriate repairs, renewals and replacements, except where the failure to do so would not have a Material Adverse Effect.

8.7. Application of Proceeds. The Borrower shall use the proceeds of the Loans (i) to refinance certain Indebtedness existing at the date hereof of the Borrower and its Subsidiaries, (ii) to provide support for its Commercial Paper and competitive bid programs, and (iii) for other general corporate purposes.

8.8. Financial Statements. The Borrower shall furnish to the Banks:

(a) as soon as available but not later than sixty (60) days after the close of each of the first three (3) Fiscal Quarters of each Fiscal Year of the Borrower, (i) consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such Fiscal Quarter and the related consolidated statements of operations, the consolidated statement of shareholders' equity and the consolidated statement of cash flows of the Borrower and its Subsidiaries for such Fiscal Quarter and (in the case of the second and third Fiscal Quarters) for the period from the beginning of the then current Fiscal Year to the end of

such Fiscal Quarter (along with business segment information customarily prepared by the Borrower), setting forth in each case in comparative form the consolidated figures for the corresponding periods of the previous Fiscal Year, all in reasonable detail and certified by a Responsible Financial Officer of the Borrower as fairly presenting, in accordance with GAAP, the financial condition and results of operations of the Borrower and its Subsidiaries, subject to changes resulting from normal year-end audit adjustments; and (ii) a report certified by such Responsible Financial Officer of all commitments for program license fees that are not reflected on the balance sheets referred to above in excess of Fifty Million Dollars (\$50,000,000) for any one such commitment or series of related commitments incurred by the Borrower or any Subsidiary during such Fiscal Quarter, together with a statement of all such obligations outstanding at the end of such Fiscal Quarter;

(b) (i) as soon as available but no later than one hundred twenty (120) days after the close of each Fiscal Year of the Borrower, (A) consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such year and the related consolidated statements of operations, the consolidated statement of shareholders' equity and the consolidated statement of cash flows of the Borrower and its Subsidiaries for such year (along with business segment information customarily prepared by the Borrower), setting forth in each case in comparative form the consolidated figures for the previous Fiscal Year, all in reasonable detail and certified in the case of the consolidated financial statements by Price Waterhouse or another firm of nationally recognized independent public accountants, which report shall state without qualification as to the scope of the audit or as to going concern that such consolidated financial statements present fairly the financial position and the results of operations as at the dates and for the periods indicated in conformity with GAAP and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with GAAS, and (B) a report certified by a Responsible Financial Officer of all commitments for program license fees that are not reflected on the balance sheets referred to above in excess of Fifty Million Dollars (\$50,000,000) for any one such commitment or series of related commitments incurred by the Borrower or any Subsidiary during the last Fiscal Quarter of such Fiscal Year, together with a statement of all such obligations at the end of such Fiscal Quarter; (ii) as soon as available but not later than one hundred twenty (120) days after the close of each Fiscal Year of the Borrower, a certificate from such accounting firm that in the course of the regular audit of the business of the Borrower and its Subsidiaries, which audit was conducted by such accounting firm in accordance with GAAS, such accounting firm obtained no knowledge that an Event of Default or Default has occurred and is continuing or, if in the opinion of such accounting firm, an Event of Default or Default has occurred and is continuing, a statement as to the nature thereof;

(c) together with each delivery of financial statements of the Borrower pursuant to clauses (a) and (b) above, a certificate issued by a Responsible Financial

Officer of the Borrower (i) demonstrating compliance at the end of the accounting period described in such statements with the financial covenants contained herein and (ii) containing in reasonable detail the component figures contained in the respective total figures stated in such certificate; and

(d) together with each delivery of financial statements of the Borrower and its Subsidiaries pursuant to clauses (a) or (b) above, a certificate signed by a Responsible Financial Officer of the Borrower stating that (i) such officer is familiar with both this Agreement and the business and financial condition of the Borrower, and (ii) no Event of Default or Default has occurred and is continuing or if an Event of Default or Default has occurred and is continuing a statement as to the nature thereof, and whether or not the same shall have been cured.

8.9. Reporting Requirements. The Borrower shall furnish to the Administrative Agent for distribution to the Banks:

(a) from time to time as the Administrative Agent may reasonably request, copies of such statements, lists of Property, accounts, budgets, forecasts, reports or information prepared by or for the Borrower or within the Borrower's control;

(b) promptly and in any event within thirty (30) days after the Borrower, any of its Subsidiaries or any ERISA Affiliate knows that any ERISA Event has occurred (other than a Reportable Event for which notice to the PBGC is waived), a written statement of the chief financial officer or other appropriate officer of the Borrower describing such ERISA Event and the action, if any, which the Borrower, any of its Subsidiaries or any ERISA Affiliate proposes to take with respect thereto, and a copy of any notice filed with the PBGC or the IRS pertaining thereto;

(c) promptly and in any event within thirty (30) days after notice or knowledge thereof, notice that the Borrower or any of its Subsidiaries becomes subject to the tax on prohibited transactions imposed by Section 4975 of the Code, together with a copy of Form 5330;

(d) promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against or affecting the Borrower or any of its Subsidiaries, in which there is a reasonable probability of an adverse decision which would have a Material Adverse Effect;

(e) promptly upon the Borrower or any of its Subsidiaries learning of (i) any Event of Default or any Default, or (ii) any Material Credit Agreement Change, telephonic or telegraphic notice specifying the nature of such Event of Default, Default or

Material Credit Agreement Change, including the anticipated effect thereof, which notice shall be promptly confirmed in writing within five days;

(f) promptly after the sending or filing thereof, copies of all reports which the Borrower sends to its security holders generally, and copies of all reports and registration statements which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;

(g) promptly upon, and in any event within 30 days of, the Borrower or any of its Subsidiaries learning of any of the following:

(i) notice that any Property of the Borrower or any of its Subsidiaries is subject to any Environmental Liens individually or in the aggregate which would have a Material Adverse Effect;

(ii) any proposed acquisition of stock, assets or real estate, or any proposed leasing of Property, or any other action by the Borrower or any of its Subsidiaries in which there is a reasonable probability that the Borrower or any of its Subsidiaries would be subject to any material Environmental Liabilities and Costs, provided that, in the event of any such proposed acquisition or lease, the Borrower must furnish to the Banks evidence in a form acceptable to the Banks that the proposed acquisition will not have a Material Adverse Effect;

(h) prior to the effectiveness thereof, information relating to any proposed change in the accounting treatment or reporting practices of the Borrower and its Subsidiaries the nature or scope of which materially affects the calculation of any component of any financial covenant, standard or term contained in this Agreement;

(i) promptly upon the Borrower learning of any material FCC License being revoked, canceled or terminated, or renewal thereof denied for any reason, written notice specifying the reasons for such revocation, cancellation, termination or denial, the anticipated effect thereof, and the actions, if any, being taken by the Borrower to remedy the same; and

(j) from time to time, such other information and materials as the Administrative Agent may reasonably request.

ARTICLE IX

NEGATIVE COVENANTS

So long as any of the Loans shall remain unpaid or any Bank shall have any Commitment hereunder, without the written consent of the Majority Banks:

9.1. Liens, Etc. The Borrower shall not, directly or indirectly, create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its Properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case to secure or provide for the payment of any Indebtedness of any Person, except:

(i) purchase money Liens or purchase money security interests upon or in any Property acquired or held by the Borrower or any Subsidiary of the Borrower in the ordinary course of business to secure the purchase price of such Property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such Property;

(ii) Liens existing on Property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition);

(iii) Liens on Property of Persons which become Subsidiaries after the Original Funding Date securing Indebtedness existing, with respect to any such Person, on the date such Person becomes a Subsidiary (other than any such Lien created in contemplation of such Person becoming a Subsidiary);

(iv) Liens on Property of Persons which become Subsidiaries after the Original Funding Date securing Indebtedness incurred by such Person after the date such Person becomes a Subsidiary; provided, however, that the aggregate principal amount of Indebtedness referred to in this clause (iv) secured by Liens shall not exceed \$30,000,000 at any time outstanding;

(v) any Lien securing the renewal, extension or refunding of any Indebtedness secured by any Lien permitted by clause (i), (ii), (iii) or (iv) above.

9.2. Mergers. The Borrower shall not, nor shall it permit any of its Subsidiaries representing a substantial portion of the assets of the Borrower and its Subsidiaries taken as a whole to, merge or consolidate in any transaction in which such entity is not the surviving Person other than: (i) in mergers of any Subsidiary into the Borrower or any other wholly owned Subsidiary of the Borrower; or (ii) in a merger of the Borrower into Viacom International with Viacom International as the surviving

corporation, provided that upon the effectiveness of such merger, Viacom International shall assume, pursuant to an instrument satisfactory to the Managing Agents, the obligations of the Borrower hereunder and under the other Loan Documents.

9.3. Substantial Asset Sale. The Borrower shall not, and shall not permit any of its Subsidiaries to, sell assets constituting all or a substantial portion of consolidated assets of the Borrower and its Subsidiaries taken as a whole to any Person other than to the Borrower or its wholly owned Subsidiary.

9.4. Transactions with Affiliates. The Borrower shall not engage in, and will not permit any of its Subsidiaries to engage in, any transaction with an Affiliate of the Borrower or of such Subsidiary (other than transactions in the ordinary course of business between a Subsidiary and its parent or among Subsidiaries of the Borrower) except on terms no less favorable to the Borrower or such Subsidiaries than as would be obtained in a comparable arm's-length transaction.

9.5. Margin Stock. The Borrower shall not permit more than twenty-five percent (25%) of the value, within the meaning of Regulation U, as determined by any reasonable method, of the assets of the Borrower and its Subsidiaries, or of the Guarantor Subsidiary, to be Margin Stock, nor will the Borrower use the proceeds of any Loan to purchase or carry any Margin Stock in violation of Regulation U.

9.6. Subsidiary Indebtedness. The Borrower shall not permit any of its Subsidiaries, other than the Guarantor Subsidiary, to incur Indebtedness for borrowed money other than (a) the Subsidiary Loans (as defined in the Subsidiary Facility), (b) under existing facilities identified on Schedule 9.6 to this Agreement or any replacement facilities thereto which in the aggregate do not exceed the amounts of the commitments on such Schedule and (c) Indebtedness for borrowed money in an aggregate amount at any time outstanding of not more than \$500 million; provided, however, the aggregate amount of Indebtedness for borrowed money scheduled to mature earlier than six months after the Commitment Termination Date at any time permitted to be outstanding under Section 9.6(c) and Section 9.7(b) may not exceed \$500 million.

9.7. Other Restrictions on Indebtedness. The Borrower shall not, and shall not permit the Guarantor Subsidiary to, incur Indebtedness for borrowed money maturing earlier than six months after the Commitment Termination Date other than (a) Commercial Paper and (b) up to \$500 million at any time outstanding (less the aggregate amount outstanding under Section 9.6(c) scheduled to mature earlier than six months after the Commitment Termination Date) and on terms no more onerous than the terms hereof.

ARTICLE X

EVENTS OF DEFAULT

10.1. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower or any other Loan Party shall fail to pay (i) any principal when due in accordance with the terms and provisions of this Agreement or any other Loan Document, or (ii) any interest on any amounts due hereunder or thereunder, or any fee or any other amount due hereunder or thereunder within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Loan Party in this Agreement or any other Loan Document or by any Loan Party (or any of its officers) in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made; or

(c) Any Loan Party shall fail to perform or observe any term, covenant or agreement contained in this Agreement or any other Loan Document, which failure or change shall remain unremedied for fifteen days after the earlier of the date on which (i) telephonic or telegraphic notice thereof shall have been given to the Administrative Agent by the Borrower pursuant to Section 8.9(e), or (ii) written notice thereof shall have been given to the Borrower by the Administrative Agent or any Bank; or

(d) The Borrower or any of its Subsidiaries shall fail to pay any principal of, or premium or interest on, any Indebtedness in an aggregate principal amount of \$50,000,000 or more (excluding Indebtedness hereunder) of the Borrower or such Subsidiary, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness or to terminate any commitment to lend; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof and, with respect to all of the foregoing, after the expiration of any applicable grace period or the giving of any required notice or both; provided, however, that no extension of any grace period applicable to any such Indebtedness shall be taken into account for the purposes of this subsection (d); or

(e) There shall occur and be continuing an Event of Default under (and as defined in) the Subsidiary Facility; or

(f) The Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceedings shall be instituted by or against the Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for a material part of its Property employed in its business or any writ, attachment, execution or similar process shall be issued or levied against a material part of the Property employed in the business of the Borrower and its Subsidiaries taken as a whole, and, in the case of any such proceedings instituted against the Borrower or any of its Material Subsidiaries (but not instituted by it), either such proceedings shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceedings shall occur; or the Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) Any order for the payment of money or judgment of any court, not appealable or not subject to certiorari or appeal (a "Final Judgment"), which, with other outstanding Final Judgments, exceeds an aggregate of \$50,000,000 shall be rendered against the Borrower or any of its Material Subsidiaries and, within 60 days after entry thereof, such Final Judgment shall not have been discharged; or

(h) (i) With respect to any Plan, a final determination is made that a prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA occurred which results in direct or indirect liability of the Borrower or any of its Material Subsidiaries, (ii) with respect to any Title IV Plan, the filing of a notice to voluntarily terminate any such plan in a distress termination, (iii) with respect to any Multiemployer Plan, the Borrower, any of its Material Subsidiaries or any of its or their ERISA Affiliates shall incur any Withdrawal Liability, or (iv) with respect to any Qualified Plan, the Borrower, any of its Material Subsidiaries or any of its or their ERISA Affiliates shall incur an accumulated funding deficiency or request a funding waiver from the IRS; provided, however, that the events listed in clauses (i)-(iv) hereof shall constitute Events of Default only if the liability, deficiency or waiver request of the Borrower, any of its Material Subsidiaries or any of its or their ERISA Affiliates, as finally determined, exceeds \$25,000,000 in any case set forth in clauses (i)-(iv)

above, or exceeds \$25,000,000 in the aggregate for all such cases; and, provided further, however, that with respect to the events listed in clauses (i), (iii) and (iv) hereof there shall be no Event of Default if the liability of the Borrower, the relevant Material Subsidiary or the relevant ERISA Affiliate is satisfied in full or in accordance with the due dates therefor; or

(i) (i) NAI shall fail to own of record and beneficially not less than 51% of the outstanding stock having ordinary voting power to elect a majority of the board of directors of the Borrower and such failure of NAI shall remain unremedied for fifteen days after the earlier of the date on which (A) telephonic or telegraphic notice thereof shall have been given to the Administrative Agent by the Borrower pursuant to Section 8.9(e), or (B) written notice thereof shall have been given to the Borrower by the Administrative Agent or any Bank; or

(j) This Agreement or any other Loan Document shall cease to be valid or enforceable for any reason in any material respect;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare the obligation of each Bank to make Loans to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare all amounts due under this Agreement and all interest thereon to be forthwith due and payable, whereupon all amounts due under this Agreement and all such interest and all such amounts shall become and be forthwith due and payable; provided, however, that upon an actual or deemed entry of an order for relief with respect to the Borrower or any of its Material Subsidiaries under the federal Bankruptcy Code, (A) the obligation of each Bank to make Loans shall automatically be terminated and (B) all amounts due under this Agreement and all such interest and all such amounts shall automatically and without further notice become and be due and payable. In addition to the remedies set forth above, the Administrative Agent may exercise any other remedies provided for by this Agreement in accordance with the terms hereof or any other remedies provided by applicable law.

ARTICLE XI

THE MANAGING AGENTS AND THE FACILITY AGENTS

11.1. Authorization and Action. Each Bank hereby appoints and authorizes each Facility Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Facility Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters

not expressly provided for by this Agreement, no Facility Agent shall be required to exercise any discretion or take any action, but each shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks (or when expressly required hereunder, all the Banks), and such instructions shall be binding upon all Banks; provided, however, that no Facility Agent shall be required to take any action that exposes such Facility Agent to personal liability or that is contrary to this Agreement or applicable law. Each Facility Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

11.2. Managing Agents' and Facility Agents' Reliance, Etc. Neither the Managing Agents, the Facility Agents, their Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement, except for its own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, (i) any Managing Agent or Facility Agent may consult with legal counsel (including counsel to the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) neither the Managing Agents nor the Facility Agents make any warranty or representation to any Bank and none of them shall be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement; (iii) neither the Managing Agents nor the Facility Agents shall have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the Properties (including the books and records) of the Borrower; (iv) neither the Managing Agents nor the Facility Agents shall be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) neither the Managing Agents nor the Facility Agents shall incur liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties. Neither the Agents nor the Co-Agents shall, in their respective capacities as such, have any duties under this Agreement other than those that they have in their capacities as Banks.

11.3. The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, The Chase Manhattan Bank and their Affiliates. With respect to the Commitments of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA and The Chase Manhattan Bank, respectively, and the Loans made by each of them, each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York,

Bank of America NT&SA and The Chase Manhattan Bank shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not a Managing Agent or Facility Agent, as the case may be; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, and The Chase Manhattan Bank in their individual capacities. Each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, The Chase Manhattan Bank and their Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA or The Chase Manhattan Bank, as the case may be, were not a Managing Agent or Facility Agent, as the case may be, and without any duty to account therefor to the Banks.

11.4. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Managing Agents, the Facility Agents, the Arrangers, the Agents, the Co-Agents or any other Bank, and based on the financial statements referred to in Article VII and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Managing Agents, the Facility Agents, the Arrangers, the Agents, the Co-Agents or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

11.5. Determinations Under Sections 5.1, 5.2 and 5.3. For purposes of determining compliance with the conditions specified in Sections 5.1, 5.2 and 5.3, each Bank shall be deemed to have consented to, approved or accepted, or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Banks unless an officer of the Administrative Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Bank prior to the applicable Borrowing specifying its objection thereto (unless such objection shall have been withdrawn by notice to the Administrative Agent to that effect or such Bank shall have made available to the Administrative Agent such Bank's ratable portion of such Borrowing).

11.6. Indemnification. Each Bank agrees to indemnify the Managing Agents, the Facility Agents, the Arrangers and their respective Affiliates, and their respective directors, officers, employees, agents and advisors (to the extent not reimbursed by the Borrower), ratably according to such Bank's Ratable Portion of the

Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including, without limitation, fees and disbursements of legal counsel) of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against, any such Person in any way relating to or arising out of this Agreement or any action taken or omitted by any such Person under this Agreement; provided, however, that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from any such Person's gross negligence or willful misconduct or from any violation or alleged violation by any such Person or any other Bank of any law, rule or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) or, with respect to any Managing Agent or Facility Agent, any conflict or alleged conflict between its rights and duties in its capacity as such or as a Bank under this Agreement and any other rights or duties it may have in any other capacity in which it may act in connection with the consummation of the transactions contemplated by this Agreement, whether or not such Bank is a party to such transactions. Without limitation of the foregoing, each Bank agrees to reimburse any such Person promptly upon demand for its ratable share of any out-of-pocket expenses (including fees and disbursements of one counsel) incurred by such Person in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such Person is not reimbursed for such expenses by the Borrower.

11.7. Successor Facility Agents. Any Facility Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor to such Facility Agent. If no successor to such Facility Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after retiring Facility Agent's giving of notice of resignation or the Majority Banks' removal of such retiring Facility Agent, then such retiring Facility Agent on behalf of the Banks, shall appoint a successor Facility Agent (which successor Facility Agent shall be a Bank or another commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000). Upon the acceptance of any appointment as a Facility Agent hereunder by any successor Facility Agent, such successor Facility Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Facility Agent, and such retiring Facility Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Facility Agent's resignation or removal hereunder, the provisions of this Article XII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Facility Agent.

ARTICLE XII

MISCELLANEOUS

12.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing signed by all the Banks and consented to by all of the Banks as defined under the Subsidiary Facility, do any of the following: (a) waive any of the conditions specified in Section 5.1, 5.2 or 5.3; (b) increase the Commitments of the Banks or subject the Banks to any additional obligations; (c) change the principal of, or decrease the interest on, any amounts payable hereunder (or pursuant to the VII Guarantee) or reduce the amount of any Commitment Fee payable to the Banks hereunder (or pursuant to the VII Guarantee); (d) postpone any date fixed for any scheduled payment of any Commitment Fee, or scheduled payment of principal of, or interest on, any amounts, payable hereunder (or pursuant to the VII Guarantee); (e) change the definition of Majority Banks; (f) amend this Section 12.1; or (g) amend Section 9.6; and provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Persons required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement.

12.2. Notices, Etc. Except as otherwise set forth herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopy or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered by hand, if to the Borrower, at its address at 1515 Broadway, New York, New York 10036, Attention: Treasurer; if to any Bank, at its Domestic Lending Office specified opposite its name on Schedule I; and if to the Administrative Agent, at its address at 399 Park Avenue, 4th Floor, Zone 6, New York, New York 10043, Attention: David Clark; or, as to the Borrower, any Bank or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, cabled or delivered, be effective when deposited in the mails, delivered to the telegraph company, confirmed by telex answerback, telecopied with confirmation of receipt, delivered to the cable company or delivered by hand to the addressee or its agent, respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III, IV or XII shall not be effective until received by the Administrative Agent.

12.3. No Waiver; Remedies. No failure on the part of any Bank, the Managing Agents or any Facility Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

12.4. Costs; Expenses; Indemnities. (a) The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the other Loan Documents and the other documents to be delivered hereunder or thereunder, including, without limitation, the specified reasonable fees and out-of-pocket expenses of one counsel to the Managing Agents and the Facility Agents and the Arrangers with respect thereto and with respect to advising the Managing Agents, the Facility Agents and the Arrangers as to their rights and responsibilities under this Agreement, and all costs and expenses of the Managing Agents, the Facility Agents and the Banks (including, without limitation, reasonable counsel fees and expenses) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Loan Documents and the other documents to be delivered hereunder and thereunder.

(b) The Borrower agrees to defend, indemnify and hold harmless each of the Managing Agents, the Facility Agents, the Arrangers and the Banks and their respective affiliates and their respective directors, officers, attorneys, agents, employees, successors and assigns (each, an "Indemnified Person") from and against any and all liabilities, obligations, losses, damages, penalties, actions, claims, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel of the Managing Agents, the Facility Agents, the Arrangers or the Banks) which may be incurred by or asserted or awarded against any Indemnified Person, in each case arising in any manner of or in connection with or by reason of the Merger, the Merger Agreement, the Tender Offer, this Agreement, the other Loan Documents, the Commitments or any undertakings in connection therewith, or the proposed or actual application of the proceeds of the Loans (all of the foregoing collectively, the "Indemnified Liabilities") and will reimburse each Indemnified Person on a current basis for all expenses (including counsel fees as they are incurred by such party) in connection with investigating, preparing or defending any such action, claim or suit, whether or not in connection with pending or threatened litigation irrespective of whether such Indemnified Person is designated a party thereto; provided that the Borrower shall not have any liability hereunder to any Indemnified Person with respect to Indemnified Liabilities which are determined by a final and nonappealable judgment of a court of competent jurisdiction to have arisen primarily from the gross negligence or willful misconduct of such Indemnified Person; and provided further, that

if the Borrower has determined in good faith that such Indemnified Liabilities were primarily the result of such Indemnified Person's gross negligence or willful misconduct, it shall not be obligated to pay such Indemnified Liabilities until a court of competent jurisdiction has determined whether such Indemnified Person acted with gross negligence or willful misconduct. If for any reason the foregoing indemnification is unavailable to an Indemnified Person or insufficient to hold an Indemnified Person harmless, then the Borrower shall contribute to the amount paid or payable by such Indemnified Person as a result of any Indemnified Liability in such proportion as is appropriate to reflect not only the relative benefits received by the Borrower and each Managing Agent, each Facility Agent, each Arranger and each Bank, but also the relative fault of the Borrower and each Managing Agent, each Facility Agent, each Arranger and each Bank, as well as any other relevant equitable considerations. The foregoing indemnity shall be in addition to any rights that any Indemnified Person may have at common law or otherwise, including, but not limited to, any right to contribution.

(c) If any Bank receives any payment of principal of, or is subject to a conversion of, any Eurodollar Rate Loan other than on the last day of an Interest Period relating to such Loan, as a result of any payment or conversion made by the Borrower or acceleration of the maturity of the amounts due under this Agreement pursuant to Section 10.1 or for any other reason, the Borrower shall, upon demand by such Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment or conversion, including, without limitation, any loss (excluding loss of the margin payable in accordance with Section 4.2 on the amount of principal so paid, or any loss), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain such Loan. The foregoing obligations of the Borrower contained in paragraphs (a), (b) and (c) of this Section 12.4, and the obligations of the Borrower contained in Sections 4.5(b) and 4.7, shall survive the payment of the Loans.

12.5. Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 10.1 to authorize the Administrative Agent to declare all amounts under this Agreement due and payable pursuant to the provisions of Section 10.1 or the automatic acceleration of such amounts pursuant to the proviso to that Section, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement irrespective of whether or not such Bank shall have made any demand under this Agreement and

although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section 12.5 are in addition to any other rights and remedies (including, without limitation, any other rights of set-off) which such Bank may have.

12.6. Binding Effect. Subject to Article V hereunder, this Agreement shall become effective when it shall have been executed by the Borrower, each of the Managing Agents, each of the Facility Agents and each of the Arrangers and when the Managing Agents shall have been notified by each of the Banks that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, each of the Managing Agents, each of the Facility Agents, each of the Arrangers and each of the Banks and their respective successors and assigns, except that (i) the Borrower shall have no right to assign its rights or obligations hereunder or any interest herein (and any such purported assignment shall be void) without the prior consent of the Banks except in connection with any (x) merger or consolidation permitted under Section 9.2 or (y) merger, consolidation or sale of assets consented to by the Majority Banks, and (ii) no Bank may sell, transfer, assign, pledge or grant participations in any of its Loans or any of its rights or obligations hereunder except in accordance with Section 12.7 or as expressly required hereunder.

12.7. Assignments and Participations; Additional Banks. (a) Any Bank may, at any time, by notice substantially in the form of Exhibit E hereto (each, a "Notice of Assignment and Acceptance") delivered to the Administrative Agent for its acceptance and recording, together with a recording fee in the amount of \$3,000, assign all or any part of its rights and obligations and delegate its duties under this Agreement (A) to any other Bank or any affiliate of any Bank which actually controls, is controlled by, or is under common control with such Bank or to any Federal Reserve Bank (in either case without limitation as to amount), or (B) with the prior consent of the Borrower (such consent not to be unreasonably withheld), to any other Person (but if in part, in a minimum amount of \$25,000,000 or, if less, the balance of such Bank's Revolving Loan Commitment and the Term Loan Commitment); provided, however, that each assigning Bank must assign an identical percentage of a Loan and its related Commitment and, in the case of any assignment of a Term Loan and the related Commitment, a uniform, and not a varying, percentage of each of its Term Loans and Term Loan Commitment and Subsidiary Loans and Subsidiary Loan Commitments under the Subsidiary Facility.

(b) Any Bank may at any time sell or grant participations in its Commitment, or the obligations owing to or from any Person existing under this Agreement; provided, however, that (i) as between such Bank and the Borrower, the existence of such participations shall not give rise to any direct rights or obligations

between the Borrower and the participants; (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations; (iii) the Borrower, the Managing Agents, the Facility Agents and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement; and (iv) no such sale or grant of a participation shall, without the consent of the Borrower, require the Borrower to file a registration statement with the Securities and Exchange Commission or apply to qualify the Commitments or the Loans under the securities laws of any state.

(c) If an assignment is made by any Bank in accordance with the provisions of paragraph (a) above, upon acceptance and recording by the Administrative Agent, and approval by the Borrower, where applicable, of each Notice of Assignment and Acceptance, (i) the assignee thereunder shall become a party to this Agreement and the Borrower shall release and discharge the assigning Bank from its duties, liabilities or obligations under this Agreement to the extent the same are so assigned and delegated by such Bank, provided that no such consent, release or discharge shall have effect until the Borrower shall have received a fully executed copy of the Notice of Assignment and Acceptance relating to such assignment and (ii) Schedule II shall be deemed amended to give effect to such assignment. The Borrower agrees that each such disposition will give rise to a direct obligation of the Borrower to any such assignee.

(d) The Borrower authorizes each Bank to disclose to any prospective assignee or participant and any assignee or participant any and all financial information in such Bank's possession concerning the Borrower and this Agreement; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrower received by it from such Bank in accordance with Section 12.10.

(e) Any Bank which sells or grants participations in any Loans or its Commitment may not grant to the participants the right to vote other than on amendments, consents, waivers, modifications or other actions which change the principal amount of, postpone the scheduled maturity of, or decrease the interest rates applicable to, any Loans under, or increase the amount of, such Commitment (except with respect to participating Affiliates actually controlled by, controlling or under common control with, such Bank); provided, however, that as between the Bank and the Borrower, only the Bank shall be entitled to cast such votes.

(f) No participant in any Bank's rights or obligations shall be entitled to receive any greater payment under Section 4.5 or 4.7 than such Bank would have been entitled to receive with respect to the rights participated, and no participation shall be sold or granted to any Person as to which the events specified in Section 4.6 have occurred on or before the date of participation.

(g) The Administrative Agent shall maintain at its address referred to in Section 12.2 a copy of each Notice of Assignment and Acceptance received by it and a register, containing the terms of each Notice of Assignment and Acceptance, for the recordation of the names and addresses of each Bank and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Banks, the Facility Agents and the Managing Agents may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower, any Bank, any Facility Agent or any Managing Agent at any reasonable time and from time to time upon reasonable prior notice.

12.8. GOVERNING LAW; SEVERABILITY. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. WHEREVER POSSIBLE, EACH PROVISION OF THIS AGREEMENT SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS AGREEMENT SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS AGREEMENT.

12.9. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH ANY OF THEM MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(b) The Borrower irrevocably consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies

thereof by registered or certified mail, postage prepaid, to the Borrower at its address specified for notices in or pursuant to Section 12.2 hereof, such service to become effective 30 days after such mailing.

(c) Nothing contained in this Section 12.9 shall affect the right of any Managing Agent, any Facility Agent or any Bank to serve process in any other manner permitted by law or commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction.

(d) Each of the parties hereto waives any right it may have to trial by jury in any proceeding arising out of this Agreement.

12.10. Confidentiality. Each Bank, each Managing Agent and each Facility Agent agrees to keep confidential information obtained by it pursuant hereto (or otherwise obtained from the Borrower in connection with this Agreement) confidential in accordance with such Person's customary practices and agrees that it will only use such information in connection with the transactions contemplated by this Agreement and not disclose any of such information other than (i) to such Person's employees, counsel, representatives and agents who are or are expected to be involved in the evaluation of such information in connection with the transactions contemplated by this Agreement and who in each case agree to be bound by the provisions of this sentence, (ii) to the extent that disclosure by such Person is required, or to the extent that such Person has been advised by counsel that disclosure is required, in order to comply with any law, regulation or judicial order or requested or required by bank regulators or auditors or other Governmental Authority, (iii) to assignees or participants of the Loans or Commitments or potential assignees or participants of the Loans or Commitments who in each case agree in writing to be bound by the provisions of this sentence or (iv) to the extent that such information has otherwise been disclosed or made public other than by such Person, or such Person's employees, counsel, representatives or agents, in violation of this Section 12.10.

12.11. Section Titles. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

12.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed as of the date first above written.

VIACOM INC., as Borrower

By: _____
Name:
Title:

Managing Agents

THE BANK OF NEW YORK, as Managing Agent,
the Documentation Agent and a Bank

By: _____
Name:
Title:

CITIBANK, N.A., as Managing Agent, the
Administrative Agent and a Bank

By: _____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK, as Managing Agent and a Bank

By: _____
Name:
Title:

BANK OF AMERICA NT&SA, as Managing
Agent, a Syndication Agent and a Bank

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as Managing
Agent and a Bank

By: _____

Name:

Title:

Agents

BANK OF MONTREAL, CHICAGO BRANCH,
as Agent and a Bank

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as Agent and a
Bank

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as Agent and a Bank

By: _____
Name:
Title:

BARCLAYS BANK PLC, as Agent and a Bank

By: _____
Name:
Title:

CANADIAN IMPERIAL BANK OF
COMMERCE, as Agent and a Bank

By: _____
Name:
Title:

CREDIT LYONNAIS, NEW YORK BRANCH, as
Agent and a Bank

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK LTD., NEW
YORK BRANCH, as Agent and a Bank

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR
CAYMAN ISLANDS BRANCH, as Agent and a
Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as Agent and a Bank

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON, as
Agent and a Bank

By: _____
Name:
Title:

THE FUJI BANK, LIMITED, as Agent and a Bank

By: _____
Name:
Title:

GULF INTERNATIONAL BANK, as Agent and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LTD., as Agent and a Bank

By: _____
Name:
Title:

LTCB TRUST COMPANY, as Agent and a Bank

By: _____
Name:
Title:

MELLON BANK, N.A., as Agent and a Bank

By: _____
Name:
Title:

THE MITSUBISHI TRUST AND BANKING
CORP, as Agent and a Bank

By: _____
Name:
Title:

NATIONSBANK OF TEXAS N.A., as Agent and a
Bank

By: _____
Name:
Title:

ROYAL BANK OF CANADA, as Agent and a
Bank

By: _____
Name:
Title:

THE SAKURA BANK, LTD, as Agent and a Bank

By: _____
Name:
Title:

THE SANWA BANK, LTD., as Agent and a Bank

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH,
as Agent and a Bank

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED, as Agent and as a
Bank

By: _____
Name:
Title:

TORONTO DOMINION (NEW YORK), INC., as
Agent and a Bank

By: _____
Name:
Title:

UNION BANK, as Agent and a Bank

By: _____
Name:
Title:

Co-Agents

BANKERS TRUST COMPANY, as Co-Agent and
a Bank

By: _____
Name:
Title:

CREDIT SUISSE FIRST BOSTON, as Co-Agent
and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK OF NORTH
CAROLINA, as Co-Agent and a Bank

By: _____
Name:
Title:

FLEET BANK (f.k.a. NATWEST BANK N.A.),
as Co-Agent and a Bank

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED, NEW
YORK BRANCH, as Co-Agent and a Bank

By: _____
Name:
Title:

UNION BANK OF SWITZERLAND,
NEW YORK BRANCH, as Co-Agent and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

Banks

BANK OF HAWAII, as a Bank

By: _____
Name:
Title:

BANQUE FRANCAISE DU COMMERCE
EXTERIEUR, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANQUE NATIONALE DE PARIS, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANQUE PARIBAS, NEW YORK BRANCH, as
Agent and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BAYERISCHE VEREINSBANK AG, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

CAISSE NATIONALE DE CREDIT AGRICOLE,
as a Bank

By: _____
Name:
Title:

COMPAGNIE FINANCIERE DE CIC ET DE
L'UNION EUROPEENE, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST HAWAIIAN BANK, as a Bank

By: _____
Name:
Title:

HIBERNIA NATIONAL BANK, as a Bank

By: _____
Name:
Title:

LLOYDS BANK, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

PNC BANK, as a Bank

By: _____
Name:
Title:

RIGGS NATIONAL BANK, as a Bank

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO. LTD., as a
Bank

By: _____
Name:
Title:

VAN KAMPEN AMERICAN CAPITAL PRIME
RATE INCOME TRUST, as a Bank

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

THE YASUDA TRUST & BANKING CO., LTD,
as a Bank

By: _____
Name:
Title:

MERRILL LYNCH SENIOR FLOATING FUND,
INC.

By: _____
Name:
Title:

Syndications Agents

JP MORGAN SECURITIES INC., as a Syndication Agent

By: _____
Name:
Title:

BANK OF AMERICA NT&SA, as a Syndication Agent

By: _____
Name:
Title:

=====

\$100,000,000

AMENDED AND RESTATED VII CREDIT AGREEMENT,

dated as of

March 26, 1997,

among

VIACOM INTERNATIONAL INC.,

as Subsidiary Borrower,

THE BANKS NAMED HEREIN,

as Banks,

THE BANK OF NEW YORK,

CITIBANK, N.A.,

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,

BANK OF AMERICA NT&SA,

and

THE CHASE MANHATTAN BANK

as Managing Agents,

THE BANK OF NEW YORK,

as the Documentation Agent,

CITIBANK, N.A.,

as the Administrative Agent,

JP MORGAN SECURITIES INC.,

and

BANK OF AMERICA NT&SA

as the Syndication Agents,

THE BANKS IDENTIFIED AS AGENTS
ON THE SIGNATURE PAGES HEREOF,

as Agents,

and

THE BANKS IDENTIFIED AS CO-AGENTS
ON THE SIGNATURE PAGES HEREOF,

as Co-Agents

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TABLE OF CONTENTS

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.1. Defined Terms..... 1
1.2. Computation of Time Periods..... 13
1.3. Accounting Terms..... 13

ARTICLE II

AMOUNT AND TERMS OF THE SUBSIDIARY LOANS

2.1. The Subsidiary Loans..... 13
2.2. Making the Subsidiary Loans..... 13
2.3. Repayment of the Subsidiary Loans..... 15
2.4. Optional Prepayments of the Subsidiary Loans..... 15

ARTICLE III

CONVERSION, INTEREST, PAYMENTS, FEES, ETC.

3.1. Conversion/Continuation Option..... 15
3.2. Interest..... 16
3.3. Interest Rate Determination and Protection..... 17
3.4. Fees..... 17
3.5. Increased Costs..... 18
3.6. Illegality..... 20
3.7. Capital Adequacy..... 20
3.8. Payments and Computations..... 21
3.9. Sharing of Payments, Etc..... 22
3.10. Replacement Banks..... 22

ARTICLE IV

CONDITIONS OF LENDING

4.1. Conditions Precedent to the Effectiveness of this Agreement..... 23
4.2. Additional Conditions Precedent to the Making of the Subsidiary Loans..... 24

ARTICLE V

REPRESENTATIONS AND WARRANTIES

5.1. Representations and Warranties in Parent Facility..... 24

ARTICLE VI

AFFIRMATIVE COVENANTS

6.1. Compliance with Laws, Etc..... 25
6.2. Payment of Taxes, Etc..... 25
6.3. Maintenance of Insurance..... 25
6.4. Preservation of Corporate Existence, Etc..... 25
6.5. Books and Access..... 26
6.6. Maintenance of Properties, Etc..... 26
6.7. Application of Proceeds..... 26
6.8. Reporting Requirements..... 26

ARTICLE VII

NEGATIVE COVENANTS

7.1. Liens, Etc..... 27
7.2. Transactions with Affiliates..... 27
7.3. Margin Stock..... 27
7.4. Subsidiary Indebtedness..... 27
7.5. Other Restrictions on Indebtedness..... 27

ARTICLE VIII

EVENTS OF DEFAULT

8.1. Events of Default..... 27

ARTICLE IX

THE MANAGING AGENTS AND THE FACILITY AGENTS

9.1. Authorization and Action..... 30
9.2. Managing Agents' and Facility Agents' Reliance, Etc.... 31
9.3. The Bank of New York, Citibank, N.A., Morgan Guaranty
Trust Company of New York, Bank of America NT&SA and
Their Affiliates..... 31
9.4. Bank Credit Decision..... 32
9.5. Determinations Under Sections 4.1 and 4.2..... 32
9.6. Indemnification..... 32
9.7. Successor Facility Agents..... 33

ARTICLE X

MISCELLANEOUS

10.1. Amendments, Etc..... 33
10.2. Notices, Etc..... 34
10.3. No Waiver; Remedies..... 34
10.4. Costs; Expenses; Indemnities..... 35
10.5. Right of Set-Off..... 36
10.6. Binding Effect..... 37
10.7. Assignments and Participations; Additional Banks..... 37
10.8. Majority Banks are Third Party Beneficiaries..... 39
10.9. Governing Law; Severability..... 39
10.10. Submission to Jurisdiction; Waiver of Jury Trial..... 39
10.11. Confidentiality..... 40
10.12. Section Titles..... 40
10.13. Execution in Counterparts..... 40

Schedules

Schedule I - Lending Offices
Schedule II - Subsidiary Commitments
Schedule 1.1 - Guarantees in Effect on the Date of
this Agreement

Exhibits

Exhibit A - Form of Notice of Borrowing

- Exhibit B - Form of VII Guarantee
- Exhibit C - Form of Parent Guarantee
- Exhibit D - Form of Notice of Conversion or Continuation
- Exhibit E - Form of Opinion of Michael D. Fricklas
- Exhibit F - Form of Assignment and Acceptance

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 26, 1997, which amends and restates the Credit Agreement, dated as of July 1, 1994, as amended (the "Existing Subsidiary Agreement", as amended and restated hereby, this "Agreement") among VIACOM INTERNATIONAL INC. a Delaware corporation (the "Subsidiary Borrower"), the Bank parties hereto from time to time, THE BANK OF NEW YORK, as a Managing Agent and as the Documentation Agent, CITIBANK, N.A., as a Managing Agent and as the Administrative Agent, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Managing Agent, THE BANK OF AMERICA NT&SA, as a Managing Agent and a Syndication Agent, THE CHASE MANHATTAN BANK, as a Managing Agent, JP MORGAN SECURITIES INC., as a Syndication Agent, the Banks identified as Agents on the signature pages hereof, as Agents, and the Banks identified as Co-Agents on the signature pages hereof, as Co-Agents.

W I T N E S S E T H:

WHEREAS, the Subsidiary Borrower is a direct Subsidiary of Viacom (as hereinafter defined); and

WHEREAS, simultaneously herewith, the Banks, the Managing Agents, the Facility Agents (as hereinafter defined), the Agents and the Co-Agents are entering into the Parent Facility (as hereinafter defined), pursuant to which the Banks will continue to provide senior debt financing to Viacom; and

WHEREAS, the Subsidiary Borrower has requested that the Banks amend and restate the Existing Subsidiary Agreement to continue to provide senior debt financing for the Subsidiary Borrower and the Banks are willing to amend and restate the Existing Subsidiary Agreement on the terms of this Agreement and to make funds available for such purposes, but only upon the terms and subject to the conditions contained herein;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein, the parties hereto hereby agree that the Existing Subsidiary Agreement is amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.1. Defined Terms. As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Administrative Agent" means Citibank, N.A., in its capacity as the Administrative Agent, or any successor in such capacity.

"Affiliate" means, as to any Person, any Subsidiary of such Person and any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person. For the purposes of this definition, "control" means the possession of the power to direct or cause the direction of management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise.

"Agents" means each of the Banks identified as Agents on the signature pages hereof.

"Agreement" means this Amended and Restated VII Credit Agreement, as modified, amended or supplemented from time to time.

"Applicable Eurodollar Rate Margin" shall mean on any date the percentage set forth below opposite the Credit Rating applicable to Viacom on such date:

CREDIT RATING	MARGIN
A-/A3 or better	0.275%
BBB+/Baa1	0.300%
BBB/Baa2	0.375%
BBB-/Baa3	0.425%
BB+/Ba1	0.600%
BB/Ba2	0.700%
BB-/Ba3 or lower	1.000%

; provided, however, that if the ratings assigned by S&P and Moody's shall differ, the Credit Rating shall be the rating which is the higher rating. Any change in the Credit Rating of Viacom shall be effective to adjust the applicable Eurodollar Rate Margin as of the date such change is announced by the applicable Rating Agency.

"Applicable Lending Office" means, with respect to each Bank, its Domestic Lending Office in the case of a Base Rate Loan, and its Eurodollar Lending Office in the case of a Eurodollar Rate Loan.

"Arranger" means each of The Bank of New York, Citicorp Securities, Inc., JP Morgan Securities Inc., BancAmerica Securities, Inc. and Chase Securities Inc.

"Banks" means the lenders listed on the signature pages hereof, and such other lenders as may become parties hereto from time to time pursuant to Section 10.7.

"Base Rate" means, for any day, a fluctuating interest rate per annum as shall be in effect for such day, which rate per annum shall be equal at all times to the higher of

(a) the rate of interest announced publicly by the Administrative Agent in New York, New York as the Administrative Agent's base rate in effect for such day; or

(b) the Federal Funds Rate for such day plus 1/2 of one percent per annum;

provided, however, that if the higher of the Credit Ratings assigned by S&P and Moody's to Viacom shall be BB-/Ba3 or lower (or, if such Credit Ratings differ by more than one level, the rating that is one rating level immediately above the lower of such ratings, shall be BB-/Ba3 or lower), then the Base Rate shall be equal at all times to the sum of (x) the higher of the foregoing rates plus (y) 1/2 of one percent per annum.

"Base Rate Loan" means any Subsidiary Loan or portion thereof that bears interest with reference to the Base Rate.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to a Eurodollar Rate Loan, a day on which dealings are also carried on in Dollars in the London interbank market.

"Capitalized Lease" means, as applied to any Person, any lease of property by such Person as lessee which should be capitalized on a balance sheet of such Person prepared in accordance with GAAP, other than leases of satellite transponders.

"Co-Agents" means each of the Banks identified as Co-Agents on the signature pages hereof.

"Code" means the Internal Revenue Code of 1986 (or any successor legislation thereto), as amended from time to time.

"Commercial Paper" means any unsecured promissory note of Viacom or Viacom International with a maturity at the time of issuance not exceeding nine months, exclusive of days of grace, issued by Viacom or Viacom International pursuant to a commercial paper program of either.

"Commitment Fee" has the meaning specified in Section 3.4.

"Credit Rating" means the most recent rating of the long-term senior unsecured debt of Viacom announced by Moody's or S&P or, in the event that either or

both cease the issuance of debt ratings generally, such other rating agency or rating agencies agreed to by the Majority Banks.

"Default" means any event which with the passing of time or the giving of notice or both would become an Event of Default.

"Documentation Agent" means The Bank of New York, in its capacity as the Documentation Agent, or any successor in such capacity.

"Dollars" and the sign "\$" each mean the lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I or such other office of such Bank as such Bank may from time to time specify to the Subsidiary Borrower and the Administrative Agent.

"Environmental Law" means the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. ss. 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. ss. 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. ss. 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. ss. 1251 et seq.), the Clean Air Act (42 U.S.C. ss. 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. ss. 2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. ss. 651 et seq.), in each case as amended or supplemented from time to time, and any analogous future federal or present or future state or local statutes, including, without limitation, transfer of ownership notification statutes such as the New Jersey Environmental Cleanup Responsibility Act (N.J. Stat. Ann. ss. 13:1K-6 et seq.) and the Connecticut Industrial Transfer Law of 1985 (Conn. Gen. Stat. ss. 22a-134 et seq.) and the regulations promulgated pursuant thereto.

"Equity" means all shares, options, equity interests, general or limited partnership interests, joint venture interests or participations or other equivalents (regardless of how designated) of or in a corporation, partnership or other entity, whether voting or non-voting, and including, without limitation, common stock, preferred stock, purchase rights, warrants or options for any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974 (or any successor legislation thereto) and the rules and regulations promulgated thereunder, as amended from time to time.

"ERISA Affiliate" shall mean a corporation, partnership or other entity which is considered one employer with Subsidiary Borrower under Section 4001 of ERISA or Section 414 of the Code.

"Eurocurrency Liabilities" has the meaning specified in Regulation

D.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule I (or, if no such office is specified, its Domestic Lending Office) or such other office of such Bank as such Bank may from time to time specify to the Subsidiary Borrower and the Administrative Agent.

"Eurodollar Rate" means, for any Interest Period, the rate of interest per annum determined by the Administrative Agent to be the offered rate per annum at which deposits in Dollars appears on the Telerate Page 3750 (or any successor page) as of 11:00 A.M. (London time), or in the event such offered rate is not available from the Telerate Page, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rates offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time), two Business Days before the first day of such Interest Period for deposit in dollars in an amount substantially equal to the aggregate Eurodollar Rate Loans to which such Interest Period relates and for a period equal to such Interest Period.

"Eurodollar Rate Loan" means any Subsidiary Loan or portion thereof that bears interest at a rate determined with reference to the Eurodollar Rate.

"Eurodollar Rate Reserve Percentage" means, for any Bank for any Interest Period, the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under Regulation D for determining the actual reserve requirement incurred by such Bank (including, without limitation, any emergency, supplemental or other marginal reserve requirement) with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Event of Default" has the meaning specified in Section 8.1.

"Existing Subsidiary Credit Agreement" means the Credit Agreement, dated as of July 1, 1994, as amended through the date hereof, among Viacom International, the other subsidiary borrowers referred to therein, and the banks, the agent and the co-agent parties thereto.

"Facility Agents" means each of the Administrative Agent, the Documentation Agent and the Syndication Agents.

"FCC" means the Federal Communications Commission, or any successor thereto.

"FCC License" means, with respect to the Subsidiary Borrower or any of its Subsidiaries, any radio, television or other license, Permit, certificate of compliance or authorization issued by the FCC and required for the operation of its respective radio and television broadcast stations.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Final Judgment" has the meaning specified in Section 8.1(g).

"Fiscal Quarter" means any three month period ending March 31, June 30, September 30 or December 31.

"Fiscal Year" means each twelve-month period ending December 31.

"Franchise" means a franchise, authorization or right by contract to construct, own, operate or otherwise exploit any cable television facility operated by the Subsidiary Borrower or any of its Subsidiaries, granted by any Governmental Authority.

"Funding Date" means the date on which the conditions set forth in Sections 4.1 and 4.2 are satisfied or waived and the Subsidiary Loans are made hereunder.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time and set forth in the rules, regulations, opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession and which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantor Subsidiary" means Viacom International.

"Indebtedness" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money (including, without limitation, in the case of the Subsidiary Borrower, the obligations of the Subsidiary Borrower for borrowed money under this Agreement), (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of Property or services, except as provided below, (iv) all obligations of such Person as lessee under Capitalized Leases, (v) all Indebtedness of others secured by a Lien on any Property of such Person, whether or not such Indebtedness is assumed by such Person, (vi) all Indebtedness of others directly or indirectly guaranteed or otherwise assumed by such Person, including any obligations of others endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, including, without limitation any Indebtedness in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation, or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation, provided that Indebtedness of Viacom and its Subsidiaries (including the Subsidiary Borrower) shall not include (a) guarantees in existence on the date hereof of Indebtedness of discontinued operations, and (b) guarantees of Indebtedness that are identified on Schedule 1.1 hereto and that arise from commitments in existence at September 29, 1994 (in each of cases (a) and (b), only if such guarantees are not extended by Viacom or any of its Subsidiaries (including the Subsidiary Borrower) after September 29, 1994 or in the case of any increase in commitments, only the amount of the increase in such existing commitments shall be included in Indebtedness) (vii) all obligations of such Person as issuer, customer or account party under letters of credit or bankers' acceptances that are either drawn or that back financial obligations that would otherwise be Indebtedness; provided, however, that in each of the foregoing clauses (i) through (vii), Indebtedness shall not include obligations (other than under this Agreement or the Parent Facility) specifically with respect to the production, distribution and acquisition of motion pictures or other programming rights, talent or publishing rights.

"Indemnified Liability" has the meaning specified in Section 10.4(b).

"Indemnified Person" has the meaning specified in Section 10.4(b).

"Interest Period" means, (a) in the case of Base Rate Loans, the period commencing on the date such Subsidiary Loans are made or on the date of conversion of such Subsidiary Loans from Eurodollar Rate Loans and ending on the last day of each Fiscal Quarter, and (b) in the case of Eurodollar Rate Loans, (i) initially, the period commencing on the date such Subsidiary Loans are made or on the date of conversion of such Subsidiary Loans or portions thereof from Base Rate Loans and ending one, two, three or six months thereafter, as selected by the applicable Subsidiary Borrower in its

Notice of Borrowing or Notice of Conversion or Continuation given to the Administrative Agent pursuant to Section 2.2 or 3.1, as the case may be, and (ii) thereafter, if such Subsidiary Loans are renewed, in whole or in part, as Eurodollar Rate Loans pursuant to Section 3.1, the period commencing on the last day of the immediately preceding Interest Period therefor and ending one, two, three or six months thereafter, as selected by the applicable Subsidiary Borrower in its Notice of Conversion or Continuation given to the Administrative Agent pursuant to Section 3.1, subject, however, to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless the result of such extension for any Eurodollar Rate Loan would be to extend such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period in respect of Eurodollar Rate Loans that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(iii) no Interest Period may extend beyond the Termination Date;

(iv) a Subsidiary Borrower may not select any Interest Period in respect of Subsidiary Loans in an aggregate amount less than \$5,000,000; and

(v) there shall be outstanding at any one time no more than 5 Interest Periods in the aggregate.

"IRS" means the Internal Revenue Service, or any successor thereto.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement.

"Loan Documents" means, collectively, this Agreement, the Parent Facility, the VII Guarantee and the Parent Guarantee.

"Loan Parties" means each of Viacom, and the Subsidiary Borrower.

"Majority Banks" means, at any time, Banks having at least 51% of the aggregate amount of (x) the Subsidiary Commitments and (y) the Commitments under (and as defined in) the Parent Facility, taken together and voting as a single group; provided, however, that, for purposes of this definition, if the Subsidiary Commitment or

Commitment of any Bank shall have been terminated, the then aggregate unpaid principal amount of Subsidiary Loans of such Bank hereunder and Loans of such Bank under (and as defined in) the Parent Facility shall be deemed to be such Bank's Subsidiary Commitment or Commitment, as the case may be.

"Managing Agents" means each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA and The Chase Manhattan Bank, N.A. acting in such capacity.

"Margin Stock" has the meaning specified in Regulation U.

"Material Adverse Change" means a change that has resulted or would result in a Material Adverse Effect.

"Material Adverse Effect" means a material adverse effect on the business, financial condition, operations or Properties of Viacom and its Subsidiaries taken as a whole.

"Material Credit Agreement Change" means a change that has materially adversely affected or would materially adversely affect the legality, validity or enforceability of any payment obligation of Viacom or Viacom International.

"Material Subsidiary" of any Person means any "significant subsidiary" of such Person as defined in Regulation S-X, as amended from time to time, promulgated under the Securities Act of 1933, as amended.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Subsidiary Borrower, any of its Subsidiaries or any ERISA Affiliate of the Subsidiary Borrower is making, is obligated to make, has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"NAI" means National Amusements, Inc., a Maryland corporation.

"Notice of Assignment and Acceptance" has the meaning specified in Section 10.7(a).

"Notice of Borrowing" means a notice of a Subsidiary Borrower substantially in the form of Exhibit A hereto specifying therein (i) the date of the proposed Subsidiary Borrowing to be made by the Subsidiary Borrower, (ii) the aggregate amount of such proposed Subsidiary Borrowing, (iii) the amount of such Subsidiary

Borrowing, if any, requested to be Eurodollar Rate Loans and (iv) the initial Interest Period or Interest Periods for any such Eurodollar Rate Loans.

"Notice of Conversion or Continuation" has the meaning specified in Section 3.1.

"Original Funding Date" means the "Initial Funding Date", as defined in the Existing Subsidiary Agreement.

"Parent Facility" means the Amended Restated Credit Agreement, dated as of the date hereof, among Viacom, the banks parties thereto from time to time, The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA and The Chase Manhattan Bank, as Managing Agents, The Bank of New York, as the Documentation Agent, Citibank, N.A., as the Administrative Agent, JP Morgan Securities Inc. and Bank of America NT&SA, as Syndication Agents, the banks identified as Agents on the signature pages thereof, as Agents, and the banks identified as Co-Agents on the signature pages thereof, as Co-Agents.

"Parent Guarantee" means the guarantee by Viacom of the obligations of the Subsidiary Borrower pursuant to this Agreement substantially in the form of Exhibit C hereto.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Pension Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), which is not an individual account plan, as defined in Section 3(34) of ERISA, and which the Subsidiary Borrower, any of its Subsidiaries or any ERISA Affiliate of the Subsidiary Borrower now or in the future maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Permit" means any permit, approval, authorization, license, variance or permission required from a Governmental Authority under an applicable Requirement of Law.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or Governmental Authority.

"Plan" shall mean an employee benefit plan as defined in Section 3(3) of ERISA which is maintained or contributed to by the Subsidiary Borrower or an ERISA Affiliate of the Subsidiary Borrower.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible, including, without limitation, the right to use, transmit, display, license or otherwise temporarily or permanently benefit from the possession of, control of or access to any film, television program, trademark, trade name, copyright, service mark or any other type of intellectual or intangible property.

"Qualified Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA, which is intended to be tax-qualified under Section 401(a) of the Code, and which the Subsidiary Borrower, any of its Subsidiaries or any ERISA Affiliate of the Subsidiary Borrower now or in the future maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Ratable Portion" means, with respect to any Bank, the percentage obtained by dividing the amount of such Bank's Subsidiary Commitment by the aggregate amount of all the Subsidiary Commitments of all the Banks.

"Reference Banks" means The Bank of New York, Citibank, N.A., The Chase Manhattan Bank, Morgan Guaranty Trust Company of New York and Bank of America NT&SA.

"Register" has the meaning specified in Section 10.7(g) hereof.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System (or any successor thereto), as in effect from time to time, or any successor thereto.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System (or any successor thereto), as in effect from time to time, or any successor thereto.

"Requirements of Law" means all federal, state and local laws, rules, regulations, orders, decrees or other determinations of an arbitrator, court or other Governmental Authority, including the requirements of ERISA and Environmental Law.

"Responsible Officer" of any Person means any of the officers of such Person listed in the certificate delivered to the Managing Agents pursuant to Section 4.1(c) or otherwise notified to the Administrative Agent as being authorized to execute and deliver documents and certificates and otherwise act on behalf of such Person in all matters (other than financial matters) arising under this Agreement or any other Loan Document.

"S&P" means Standard & Poor's Ratings Group.

"Subsidiary" means, with respect to any Person, any corporation, partnership or other business entity of which more than 50% of the outstanding Equity having ordinary voting power to elect a majority of the board of directors of such entity (irrespective of whether, at the time, Equity of any other class or classes of such entity shall have or might have voting power by reason of the happening of any contingency) is, or of which more than 50% of the interests in which are, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person.

"Subsidiary Borrower" has the meaning specified in the recitals hereof.

"Subsidiary Borrowing" means a borrowing by the Subsidiary Borrower consisting of Subsidiary Loans made on the same day by the Banks ratably according to their respective Subsidiary Commitments.

"Subsidiary Commitment" has the meaning specified in Section 2.1(a).

"Subsidiary Loan" means a loan made to the Subsidiary Borrower pursuant to Section 2.1.

"Syndication Agents" means each of JP Morgan Securities Inc. and Bank of America NT&SA acting in such capacity, or any successor in such capacity.

"Termination Date" means the earliest of (i) July 1, 2002, (ii) the date of the earlier termination in whole of all of the Subsidiary Commitments pursuant to the terms hereof, including pursuant to Section 8.1 and (iii) the date on which the Parent Facility is terminated.

"Title IV Plan" means a Pension Plan, other than a Multiemployer Plan, which is covered by Title IV of ERISA.

"Viacom" means Viacom Inc., a Delaware corporation, or any successor thereto.

"Viacom International" means Viacom International Inc., a Delaware corporation.

"Viacom Total Leverage Ratio" means the Total Leverage Ratio as defined in and calculated in accordance with the Parent Facility.

"VII Guarantee" means the guarantee by Viacom International of the obligations of Viacom pursuant to the Parent Facility, substantially in the form of Exhibit C to the Parent Facility.

"Withdrawal Liability" means, as to any Person, at any time, the aggregate amount of the liabilities, if any, of such Person pursuant to Section 4201 of ERISA.

1.2. Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

1.3. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ARTICLE II

AMOUNT AND TERMS OF THE SUBSIDIARY LOANS

2.1. The Subsidiary Loans. (a) The Subsidiary Loans. On the terms and subject to the conditions contained in this Agreement, each Bank severally agrees to make (or continue) a Subsidiary Loan on the Funding Date to the Subsidiary Borrower in the amount set forth opposite such Bank's name as such Bank's "Subsidiary Commitment" for the Subsidiary Borrower (as adjusted from time to time by reason of assignments in accordance with the provisions of Section 10.7, such Bank's "Subsidiary Commitment").

(b) Evidence of Debt. (i) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Subsidiary Borrower to each Bank resulting from the Subsidiary Loan made by such Bank to the Subsidiary Borrower, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(ii) The Register maintained by the Administrative Agent pursuant to Section 10.7(g) shall include a "Subsidiary Loan control account" for the Subsidiary Borrower and for each Bank, in which accounts shall be recorded (A) the amount of each Bank's Subsidiary Loans (B) the date on which the Subsidiary Loans were made, (C) the amount of any principal or interest due and payable or to become due and payable from the Subsidiary Borrower to each Bank with respect to the Subsidiary Borrower's Subsidiary Loans hereunder and (D) the amount of any sum received by the Administrative Agent from the Subsidiary Borrower with respect to Subsidiary Loans made to it hereunder and each Bank's Ratable Portion thereof.

(iii) The entries made in the Register shall be conclusive and binding for all purposes, absent manifest error.

2.2. Making the Subsidiary Loans. (a) The Subsidiary Borrowing shall be made upon receipt of a Notice of Borrowing, given by the Subsidiary Borrower to the

Administrative Agent not later than 9:30 A.M. (New York City time) on the Funding Date, in the event such Subsidiary Borrowing is to be comprised of Base Rate Loans, and (ii) 11:00 A.M. (New York City time) on the third Business Day prior to the Initial Funding Date, in the event such Subsidiary Borrowing is to be comprised of Eurodollar Rate Loans.

(b) The Administrative Agent shall give to each Bank prompt notice (but in any event on the same day) of its receipt of a Notice of Borrowing and, if Eurodollar Rate Loans are properly requested in such Notice of Borrowing, upon its determination thereof, notice of the applicable interest rate under Section 3.2. Each Bank shall, before 11:00 A.M. (or in the case of a Subsidiary Borrowing being made on the same day, before 12:00 noon) (New York City time) on the date of the proposed Subsidiary Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 10.2, in immediately available funds, such Bank's Ratable Portion of each such proposed Subsidiary Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article IV, the Administrative Agent will make such funds available to the Subsidiary Borrower at the Administrative Agent's aforesaid address.

(c) Each Notice of Borrowing pursuant to this Section 2.2 shall be irrevocable and binding on the Subsidiary Borrower. In the case of a proposed Subsidiary Borrowing comprised of Eurodollar Rate Loans to the Subsidiary Borrower, the Subsidiary Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing the applicable conditions set forth in Article IV, including, without limitation, any loss (excluding loss of the margin payable in accordance with Section 3.2 on the amount of principal not borrowed as a result of such failure), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund any Eurodollar Rate Loan to be made by such Bank to the Subsidiary Borrower as part of any such proposed Subsidiary Borrowing when such Eurodollar Rate Loan, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any proposed Subsidiary Borrowing pursuant to this Section 2.2 that such Bank will not make available to the Administrative Agent such Bank's Ratable Portion of such Subsidiary Borrowing, the Administrative Agent may assume that such Bank has made such Ratable Portion available to the Administrative Agent on the date of such Subsidiary Borrowing in accordance with this Section 2.2 and the Administrative Agent may, in reliance upon such assumption, make available to the Subsidiary Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such Ratable Portion available to the Administrative Agent and the Administrative Agent has so made available such amount, such Bank and the Subsidiary Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such

amount is made available to the Subsidiary Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Subsidiary Borrower, the interest rate applicable at the time to the Subsidiary Loans comprising such Subsidiary Borrowings and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Subsidiary Loan as part of any such Subsidiary Borrowing for purposes of this Agreement. If the Subsidiary Borrower shall repay to the Administrative Agent such corresponding amount, such payment shall not relieve such Bank of any obligation it may have to the Subsidiary Borrower hereunder.

(e) The failure of any Bank to make any Subsidiary Loan to be made by it to the Subsidiary Borrower shall not relieve any other Bank of its obligation, if any, hereunder to make its Subsidiary Loan to the Subsidiary Borrower on the date of such Subsidiary Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Subsidiary Loan to be made by such other Bank to the Subsidiary Borrower.

2.3. Repayment of the Subsidiary Loans. The Subsidiary Borrower shall pay the entire principal amount of the Subsidiary Loans of each Bank in full on, or prior to, the Termination Date.

2.4. Optional Prepayments of the Subsidiary Loans. The Subsidiary Borrower may, upon at least three Business Days' prior notice (or at least one Business Day's prior notice in the case of Base Rate Loans) to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment of, and if such notice is given shall, prepay the outstanding principal amount of the Subsidiary Loans, in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that the Subsidiary Borrower shall indemnify the Banks pursuant to Section 10.4(c) in the event that any prepayment of any Eurodollar Rate Loans shall be made on a day other than the last day of an Interest Period. Amounts borrowed under Section 2.1 and prepaid pursuant to this Section 2.5 may not be reborrowed. Any partial prepayment may be allocated to scheduled installments of the Subsidiary Loans in any manner requested by the Subsidiary Borrower. Upon any prepayment of the Subsidiary Loans, the Subsidiary Commitment shall be reduced to the amount of the prepayment.

ARTICLE III

CONVERSION, INTEREST, PAYMENTS, FEES, ETC.

3.1. Conversion/Continuation Option. The Subsidiary Borrower may elect (i) at any time to convert Base Rate Loans or any portion thereof to Eurodollar Rate Loans or (ii) at the end of any Interest Period with respect thereto, to convert Eurodollar Rate Loans or any portion thereof into Base Rate Loans, or to continue such Eurodollar

Rate Loans or any portion thereof as Eurodollar Rate Loans for an additional Interest Period; provided, however, that the aggregate of the Eurodollar Rate Loans so converted or so continued for each Interest Period must be in the amount of \$5,000,000 or an integral multiple of \$5,000,000 in excess thereof. Each such election shall be in substantially the form of Exhibit E hereto (a "Notice of Conversion or Continuation") and shall be made by giving the Administrative Agent at least one Business Day's, in the case of a conversion to a Base Rate Loan, and three Business Days', in the case of a conversion to or a continuation of a Eurodollar Rate Loan, prior written notice thereof specifying (A) the amount and type of conversion or continuation, (B) in the case of a conversion to or a continuation of Eurodollar Rate Loans, the Interest Period therefor, and (C) in the case of a conversion, the date of conversion (which date shall be a Business Day and, if a conversion from a Eurodollar Rate Loan, shall also be the last day of the Interest Period therefor). The Administrative Agent shall promptly (but in any event on the same day) notify each Bank of its receipt of a Notice of Conversion or Continuation and of the contents thereof. Notwithstanding the foregoing, no conversion in whole or in part of Base Rate Loans to Eurodollar Rate Loans, and no continuation in whole or in part of Eurodollar Rate Loans upon the expiration of any Interest Period therefor, shall be permitted at any time at which an Event of Default shall have occurred and be continuing. If, within the time period required under the terms of this Section 3.1, the Administrative Agent does not receive a Notice of Conversion or Continuation from the Subsidiary Borrower containing an election to continue all or any portion of the Eurodollar Rate Loans for an additional Interest Period or to convert all or any portion of such Subsidiary Loans, then, upon the expiration of the Interest Period therefor, such Subsidiary Loans or the portions thereof for which an election to continue or convert has not been made will be automatically converted to Base Rate Loans. Each Notice of Conversion or Continuation shall be irrevocable.

3.2. Interest. The Subsidiary Borrower shall pay interest on the unpaid principal amount of each Subsidiary Loan from the date thereof until the principal amount thereof shall be paid in full, at the following rates per annum:

(a) Base Rate Loans. For Base Rate Loans, at a rate per annum equal at all times to the Base Rate in effect from time to time, payable quarterly in arrears on the last day of each September, December, March and June, on the Termination Date and on the date any Base Rate Loan is converted or paid in full.

(b) Eurodollar Rate Loans. For Eurodollar Rate Loans, at a rate per annum equal at all times during the applicable Interest Period for each Eurodollar Rate Loan to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Eurodollar Rate Margin, payable in arrears (i) on the last day of such Interest Period and (ii) if such Interest Period has a duration of more than three months, on each day during such Interest Period that occurs every three months from the first day of such Interest Period.

(c) Default Rate of Interest. If any amount of principal of any Subsidiary Loan to the Subsidiary Borrower is not paid when due, whether at stated maturity, by acceleration or otherwise, the interest rate applicable to any such amount shall be increased by 2.00% per annum, payable on demand, and if any interest, fee or other amount payable by the Subsidiary Borrower hereunder is not paid when due, such amount shall bear interest at a rate per annum equal at all times to the Base Rate in effect from time to time plus 2% per annum payable on demand.

3.3. Interest Rate Determination and Protection. (a) In the event that the Eurodollar Rate is not available from the Telerate Page, the Eurodollar Rate for each Interest Period for Eurodollar Rate Loans shall be determined by the Administrative Agent on the basis of applicable rates furnished to and received by the Administrative Agent from the Reference Banks two Business Days before such Interest Period. Each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining each Eurodollar Rate. If any of the Reference Banks shall not furnish such timely information to the Administrative Agent for the purpose of determining any such interest rate, the Administrative Agent shall determine such interest rate on the basis of timely information furnished by the other Reference Bank or Reference Banks.

(b) The Administrative Agent shall give prompt notice to the Subsidiary Borrower and the Banks of the applicable interest rate determined by the Administrative Agent for purposes of Section 3.2(a) or (b), and the applicable rate, if any, furnished by each Reference Bank for the purpose of determining the applicable interest rate under Section 3.2(b).

(c) If, with respect to Eurodollar Rate Loans, the Majority Banks determine in good faith and notify the Administrative Agent that the Eurodollar Rate for any Interest Period will not adequately reflect the cost to such Banks of making such Subsidiary Loans to the Subsidiary Borrower or funding or maintaining their respective Eurodollar Rate Loans for such Interest Period, the Administrative Agent shall forthwith so notify the Subsidiary Borrower and the Banks, whereupon

(i) each Eurodollar Rate Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan unless the Majority Banks notify the Administrative Agent that the circumstances causing such conversion no longer exist and the Subsidiary Borrower delivers a timely Notice of Conversion or Continuation with respect to such Subsidiary Loans; and

(ii) the obligations of the Banks to make Eurodollar Rate Loans or to convert Subsidiary Loans into Eurodollar Rate Loans shall be suspended until the Administrative Agent shall notify the Subsidiary Borrower and the Banks that the circumstances causing such suspension no longer exist.

3.4. Fees: Viacom has agreed to pay to the Banks, Managing Agents, Facility Agents, Agents, Co-Agents and Arrangers certain fees which are earned on the date of the signing of this Agreement and payable on the Funding Date as separately agreed.

3.5. Increased Costs. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in, or in the interpretation of, any law or regulation or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost (other than with respect to income, franchise or withholding taxes or other taxes of a similar nature) to any Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans to the Subsidiary Borrower, then (A) such Bank shall, as soon as such Bank becomes aware of such increased cost, but in any event not later than 60 days after such increased cost was incurred, deliver to the Subsidiary Borrower and the Administrative Agent a certificate stating (1) the actual amount of such increased cost incurred by such Bank and (2) that it is such Bank's customary practice, from and after the date of this Agreement, to charge its borrowers for increased costs incurred by it; (B) the Subsidiary Borrower shall, within 30 days after its receipt of such certificate, at its sole option, either (1) pay to the Administrative Agent for the account of such Bank amounts sufficient to compensate such Bank for the increased cost incurred by it as set forth in the certificate referred to above or (2) replace such Bank in accordance with the provisions of Section 3.10, provided that if the Subsidiary Borrower does not exercise the option specified in clause (2) above within 30 days after receipt of the certificate referred to above, then (x) such Bank shall deliver to the Subsidiary Borrower and the Administrative Agent a second certificate stating the increased cost incurred by such Bank and (y) the Subsidiary Borrower shall promptly upon receipt of such second certificate pay to the Administrative Agent for the account of such Bank amounts sufficient to compensate such Bank for such increased cost; and (C) such Bank shall use its reasonable best efforts to designate another of its then existing offices as its Applicable Lending Office if the making of such designation would, without any detrimental effect to such Bank, avoid the need for, or reduce the amount of, future increased costs which are probable of being incurred by such Bank. The amount of increased costs payable by the Subsidiary Borrower to any Bank as stated in any such certificate delivered pursuant to the provisions of this Section 3.5(a) shall be conclusive and binding for all purposes, absent manifest error. In determining any such amount, such Bank may use reasonable averaging and attribution methods. If the Subsidiary Borrower so notifies the Administrative Agent within five Business Days after receipt of any certificate delivered to the Subsidiary Borrower pursuant to the provisions of this Section 3.5(a), the Subsidiary Borrower may either (x) prepay in full all Eurodollar Rate Loans of such Bank then outstanding in accordance with Section 3.8 and, additionally, reimburse such Bank for such increased cost in accordance with this Section 3.5(a) or (y) convert all Eurodollar Rate Loans of all Banks then outstanding into Base Rate Loans

in accordance with Section 3.1 and, additionally, reimburse such Bank for such increased cost in accordance with this Section 3.5(a).

(b) If any Bank shall be required under Regulation D to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities with respect to the Subsidiary Loans, then (i) such Bank shall, within 60 days after the end of any Interest Period with respect to any Eurodollar Rate Loan during which such Bank was so required to maintain such reserves, deliver to the Subsidiary Borrower and the Administrative Agent a certificate stating (A) that such Bank was required to maintain reserves and as a result such Bank incurred additional costs in connection with making Eurodollar Rate Loans to the Subsidiary Borrower, (B) in reasonable detail, such Bank's computations of the amount of additional interest payable by the Subsidiary Borrower pursuant to the provisions of Section 3.5(b)(ii) and (C) that it is such Bank's customary practice, from and after the date of this Agreement, to charge its borrowers for reserves so maintained by it, and (ii) the Subsidiary Borrower shall, promptly upon receipt of any such certificate, pay to the Administrative Agent, for the account of such Bank, additional interest on the unpaid principal amount of each Eurodollar Rate Loan of such Bank to the Subsidiary Borrower outstanding during the Interest Period with respect to which the above-referenced certificate was delivered to the Subsidiary Borrower, at a rate per annum equal to the difference obtained by subtracting (x) the Eurodollar Rate for such Interest Period from (y) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period. The amount of interest payable by the Subsidiary Borrower to any Bank as stated in any certificate delivered to the Subsidiary Borrower and the Administrative Agent pursuant to the provisions of this Section 3.5(b) shall be conclusive and binding for all purposes, absent manifest error.

(c) The payments required under Sections 3.5(a) and (b) are in addition to any other payments and indemnities required under this Agreement.

3.6. Illegality. Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation, in each case after the date hereof, shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Bank or its Eurodollar Lending Office to make Eurodollar Rate Loans or to continue to fund or maintain Eurodollar Rate Loans, then, on notice thereof and demand therefor by such Bank to the Subsidiary Borrower through the Administrative Agent, (i) the obligation of such Bank to make or to continue Eurodollar Rate Loans and to convert Base Rate Loans into Eurodollar Rate Loans shall be suspended until such Bank through the Administrative Agent shall notify the Subsidiary Borrower that the circumstances causing such suspension no longer exist and (ii) the Subsidiary Borrower shall forthwith prepay in full all Eurodollar Rate Loans of such Bank then outstanding, together with interest accrued thereon, unless the Subsidiary Borrower, within five Business Days of such notice and demand, converts all Eurodollar Rate Loans of all Banks then outstanding into Base Rate

Loans in accordance with the notice periods of Section 3.1; provided, however, that before making any such demand, each Bank agrees to use its reasonable best efforts to designate another of its then existing offices as its Applicable Lending Office if the making of such a designation would, without any detrimental effect to such Bank, cause the making of Eurodollar Rate Loans to not be subject to this Section 3.6.

3.7. Capital Adequacy. If any Bank shall, at any time, reasonably determine that (a) the adoption (i) after the date of this Agreement, of any capital adequacy guidelines or (ii) at any time, of any other applicable law, government rule, regulation or order regarding capital adequacy of banks or bank holding companies, (b) any change in (I) any of the foregoing or (II) the interpretation or administration of any of the foregoing by any Governmental Authority, central bank or comparable agency or (c) compliance with any policy, guideline, directive or request regarding capital adequacy (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) of any Governmental Authority, central bank or comparable agency, would have the effect of reducing the rate of return on the capital of such Bank to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration the policies of such Bank with respect to capital adequacy in effect immediately before such adoption, change or compliance) and (x) such reduction is as a consequence of the Subsidiary Commitment of, or the making, converting or continuing of any Subsidiary Loans to the Subsidiary Borrower by, such Bank hereunder and (y) such reduction is reasonably deemed by such Bank to be material, then (1) such Bank shall deliver to the Subsidiary Borrower and the Administrative Agent a certificate stating the reduction in the rate of return such Bank will in the future suffer as a result of its Subsidiary Commitment or the making, converting or continuing any Subsidiary Loans by it hereunder and (2) the Subsidiary Borrower shall, within 30 days after its receipt of such certificate, at its sole option, either (A) pay to the Administrative Agent for the account of such Bank from time to time as specified by such Bank such amount as shall be sufficient to compensate such Bank for such reduced return, or (B) replace such Bank in accordance with the provisions of Section 3.10; provided, however, that if the Subsidiary Borrower does not exercise the option specified in clause (B) above within 30 days after receipt of the certificate referred to above, then (1) such Bank shall deliver to the Subsidiary Borrower and the Administrative Agent a second certificate stating the reduction in the rate of return of such Bank and (2) the Subsidiary Borrower shall promptly pay, as specified by such Bank, to the Administrative Agent for the account of such Bank amounts sufficient to compensate such Bank for the reduction in its rate of return. The amount stated in any certificate delivered to the Subsidiary Borrower pursuant to the provisions of this Section 3.7 shall be conclusive and binding for all purposes, absent manifest error. In determining any such amount, such Bank may use reasonable averaging and attribution methods. The payments required under this Section 3.7 are in addition to any other payments and indemnities required hereunder.

3.8. Payments and Computations. (a) The Subsidiary Borrower shall make each payment payable by it hereunder not later than 11:00 A.M. (New York City

time) on the day when due, in Dollars, to the Administrative Agent at its address referred to in Section 10.2 in immediately available funds without set-off or counterclaim. The Administrative Agent will promptly thereafter (but in any event on the same day) cause to be distributed like funds relating to the payment of principal or interest or fees ratably (other than amounts payable pursuant to Section 3.5, 3.6 or 3.7) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Payment received by the Administrative Agent after 11:00 A.M. (New York City time) shall be deemed to be received on the next Business Day; provided, however, that the Administrative Agent shall use its reasonable best efforts to invest any amounts so received by the Administrative Agent in overnight investments satisfactory to the Subsidiary Borrower, and any earnings on any such investments shall be for the Subsidiary Borrower's account and may be credited against any interest payable hereunder during such period.

(b) All computations of the Commitment Fee or of interest based on the rate of interest specified in clause (a) of the definition of Base Rate and of fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest and fees are payable. All computations of the Commitment Fee shall be based on the aggregate average daily unused Subsidiary Commitment of each Bank. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

(d) Unless the Administrative Agent shall have received notice from the Subsidiary Borrower prior to the date on which any payment is due to the Banks hereunder that the Subsidiary Borrower will not make such payment in full, the Administrative Agent may assume that the Subsidiary Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Subsidiary Borrower shall not have so made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such

amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

3.9. Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Subsidiary Loans made by it (other than pursuant to Section 3.5, 3.6 or 3.7) in excess of its Ratable Portion of payments on account of the Subsidiary Loans obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in such Subsidiary Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and each such Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Subsidiary Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 3.9 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Subsidiary Borrower in the amount of such participation.

3.10. Replacement Banks. Upon the election of the Subsidiary Borrower to replace any Bank pursuant to the provisions of Section 3.5(a)(B)(2) or 3.7(2)(B), the Subsidiary Borrower shall provide to the Administrative Agent a notice setting forth the replacement Bank or Banks, and the Bank being so replaced shall take all actions as may be necessary to transfer to such replacement Bank or Banks all of the rights and obligations of such Bank hereunder (with appropriate provisions for other amounts due to the Bank being replaced) and such replacement Bank or Banks shall pay to the Bank being so replaced the amount outstanding of all Subsidiary Loans made by such Bank hereunder, all as though such replacement Bank or Banks were an assignee or assignees of such Bank to which such Bank were making an assignment in accordance with the provisions of Section 10.7.

ARTICLE IV

CONDITIONS OF LENDING

4.1. Conditions Precedent to the Effectiveness of this Agreement. The making of the Subsidiary Loans hereunder upon the effectiveness of this Agreement is subject to satisfaction of the conditions precedent that the Managing Agents shall have received the following, in form and substance satisfactory to the Managing Agents, and in sufficient copies for each Bank that requests a copy:

(a) Certified copies of (i) the resolutions of the Board of Directors of each Loan Party approving each Loan Document to which it is a party (as such Loan Document may be amended through the date hereof), and (ii) all documents evidencing any other necessary corporate action and required governmental and any third party approvals, licenses and consents with respect to each Loan Document to which it is a party.

(b) A copy of the certificate of incorporation of each Loan Party certified as of a recent date by the Secretary of State of such Person's jurisdiction of incorporation, together with certificates of such official attesting to the good standing of such Loan Party, and a copy of the By-Laws of each such Person certified by its Secretary or one of its Assistant Secretaries.

(c) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party who have been authorized to execute and deliver each Loan Document to which it is a party and each other document and certificate to be executed or delivered hereunder on behalf of such Person.

(d) A favorable opinion of Michael D. Fricklas, Senior Vice President and Deputy General Counsel of Viacom, in substantially the form of Exhibit E hereto.

(e) A duly executed Parent Facility.

(f) A duly executed Parent Guarantee.

(g) A duly executed VII Guarantee.

4.2. Additional Conditions Precedent to the Making of the Subsidiary Loans. The effectiveness of this Agreement and the making of the Subsidiary Loans simultaneously hereunder is subject to the further conditions precedent that on the date of such Subsidiary Loans the following statements shall be true :

(a) The Loans under (and as defined in) the Parent Facility shall be made simultaneously with the making of such Subsidiary Loans.

(b) The Subsidiary Borrower shall have paid all costs, accrued and unpaid fees and expenses referred to in Sections 3.4 and 10.4 (including, without limitation, the legal fees and expenses referred to in Section 10.4(a)), in each case to the extent then due and payable.

(c) All Indebtedness (including all theretofore accrued but unpaid Commitment Fees and interest) of Viacom International and the other "Subsidiary Borrowers" under the Existing Agreement, and the Existing Subsidiary Credit

Agreement shall have been (or shall simultaneously be) either repaid or refinanced pursuant to the terms of this Agreement.

(d) Before and after giving effect thereto and to the application of the proceeds therefrom, the representations and warranties of Viacom contained in the Parent Facility (other than those stated to be made as of a particular date) are true and correct in all material respects on and as of such date as though made on and as of such date.

(e) Before and after giving effect thereto and to the application of the proceeds therefrom, no event has occurred and is continuing, or would result from the Subsidiary Loans being made on such date, which constitutes a Default or an Event of Default.

The acceptance by the Subsidiary Borrower of the proceeds of such Subsidiary Loan shall constitute a representation and warranty by the Subsidiary Borrower that on the date of such Subsidiary Loan such statements are true.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

5.1. Representations and Warranties in Parent Facility. To induce the Banks to enter into this Agreement, the Subsidiary Borrower represents and warrants to the Banks that each of the representations and warranties of Viacom in the Parent Facility is true and correct.

ARTICLE VI

AFFIRMATIVE COVENANTS

As long as any of the Subsidiary Loans shall remain unpaid or any Bank shall have any Subsidiary Commitment hereunder, unless otherwise agreed by the written consent of the Majority Banks:

6.1. Compliance with Laws, Etc. The Subsidiary Borrower shall comply, and cause each of its Subsidiaries to comply, in all material respects with all Requirements of Law, all FCC Licenses and Franchises except such non-compliance as would not have a Material Adverse Effect or result in a Material Credit Agreement Change.

6.2. Payment of Taxes, Etc. The Subsidiary Borrower and any consolidated, combined or unitary group which includes the Subsidiary Borrower or any of its Subsidiaries shall pay and discharge, and cause each Subsidiary of the Subsidiary Borrower to pay and discharge, before the same shall become delinquent, all lawful claims, taxes, assessments and governmental charges or levies except where contested in good faith, by proper proceedings, and where adequate reserves therefor have been established on the books of the Subsidiary Borrower or such Subsidiary in accordance with GAAP.

6.3. Maintenance of Insurance. The Subsidiary Borrower shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Subsidiary Borrower or such Subsidiary operates. The Subsidiary Borrower will furnish to the Administrative Agent from time to time such information as may be requested as to such insurance.

6.4. Preservation of Corporate Existence, Etc. The Subsidiary Borrower shall preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its respective corporate existence; provided, however, that the corporate existence of any Subsidiary of a Subsidiary Borrower (other than any Guarantor Subsidiary) may be terminated if, in the good faith judgment of the board of directors or the chief financial officer of the Subsidiary Borrower, such termination is in the best interest of the Subsidiary Borrower and such termination would not have a Material Adverse Effect; and provided further, however, that Viacom may merge into Viacom International, with Viacom International as the surviving corporation, provided that upon the effectiveness of such merger, Viacom International shall assume, pursuant to an instrument satisfactory to the Managing Agents, the obligations of Viacom under the Parent Facility and under the other Loan Documents.

6.5. Books and Access. The Subsidiary Borrower shall, and shall cause each of its Subsidiaries to, keep proper books of record and accounts in conformity with GAAP, and upon reasonable notice and at such reasonable times during usual business hours as often as may be reasonably requested, permit representatives of the Administrative Agent, at its own initiative or at the request of any Bank, to make inspections of its Properties, to examine its books, accounts and records and make copies and memoranda thereof and to discuss its affairs and finances with its officers or directors and independent public accountants.

6.6. Maintenance of Properties, Etc. The Subsidiary Borrower shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its Properties which are used or useful in the conduct of its business in good working order and condition and, from time to time make or cause to be made all appropriate

repairs, renewals and replacements, except where the failure to do so would not have a Material Adverse Effect.

6.7. Application of Proceeds. The Subsidiary Borrower shall use the proceeds of the Subsidiary Loans for general corporate purposes.

6.8. Reporting Requirements. The Subsidiary Borrower shall furnish to the Administrative Agent for distribution to the Banks:

(a) from time to time as the Administrative Agent may reasonably request, copies of such statements, lists of Property, accounts, budgets, forecasts, reports or information prepared by or for the Subsidiary Borrower or within the control of the Subsidiary Borrower;

(b) promptly upon the Subsidiary Borrower or any of its Subsidiaries learning of (i) any Event of Default or any Default, or (ii) any Material Adverse Change or Material Credit Agreement Change, telephonic or telegraphic notice specifying the nature of such Event of Default, Default, Material Adverse Change or Material Credit Agreement Change, including the anticipated effect thereof, which notice shall be promptly confirmed in writing within five days;

(c) from time to time, such other information and materials as the Administrative Agent may reasonably request.

ARTICLE VII

NEGATIVE COVENANTS

So long as any of the Subsidiary Loans shall remain unpaid or any Bank shall have any Subsidiary Commitment hereunder, without the written consent of the Majority Banks:

7.1. Liens, Etc. The Subsidiary Borrower shall not, directly or indirectly, create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its Properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case to secure or provide for the payment of any Indebtedness of any Person, other than as permitted under the Parent Facility.

7.2. Transactions with Affiliates. The Subsidiary Borrower shall not engage in, nor shall it permit any of its Subsidiaries to engage in, any transaction with an Affiliate of the Subsidiary Borrower or of such Subsidiary other than as permitted under the Parent Facility.

7.3. Margin Stock. The Subsidiary Borrower shall not permit more than twenty-five percent (25%) of the value, within the meaning of Regulation U, as determined by any reasonable method, of the assets of the Subsidiary Borrower and its Subsidiaries to be Margin Stock, nor will the Subsidiary Borrower use the proceeds of any Subsidiary Loan to purchase or carry any Margin Stock in violation of Regulation U.

7.4. Subsidiary Indebtedness. The Subsidiary Borrower shall not permit any of its Subsidiaries to incur Indebtedness for borrowed money other than Indebtedness permitted pursuant to Section 9.6 of the Parent Facility.

7.5. Other Restrictions on Indebtedness. The Subsidiary Borrower shall not incur Indebtedness for borrowed money maturing earlier than six months after the Commitment Termination Date other than (a) Commercial Paper, (b) up to \$500 million at any time outstanding (less the aggregate amount outstanding under 9.6(c) of the Parent Facility scheduled to mature earlier than six months after the Commitment Termination Date) and on terms no more onerous than the terms hereof.

ARTICLE VIII

EVENTS OF DEFAULT

8.1. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Subsidiary Borrower or any other Loan Party shall fail to pay (i) any principal when due in accordance with the terms and provisions of this Agreement or any other Loan Document, or (ii) any interest on any amounts due hereunder or thereunder, or any fee or any other amount due hereunder or thereunder within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Loan Party in this Agreement or any other Loan Document or by any Loan Party (or any of its officers) in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made; or

(c) Any Loan Party shall fail to perform or observe any term, covenant or agreement contained in this Agreement or any other Loan Document, which failure or change shall remain unremedied for fifteen days after the earlier of the date on which (i) telephonic or telegraphic notice thereof shall have been given to the Administrative Agent by the Subsidiary Borrower pursuant to Section 6.8(b), or (ii) written notice thereof shall have been given to the Subsidiary Borrower by the Administrative Agent or any Bank; or

(d) Any Loan Party or any of its Subsidiaries shall fail to pay any principal of, or premium or interest on, any Indebtedness in an aggregate principal amount of \$50,000,000 or more (excluding Indebtedness hereunder) taken together with all other Indebtedness of Viacom or any of its Subsidiaries (including the Subsidiary Borrower or any of its Subsidiaries) with respect to which any such failure shall have occurred, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness or to terminate any commitment to lend; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof and, with respect to all of the foregoing, after the expiration of any applicable grace period or the giving of any required notice or both; provided, however, that no extension of any grace period applicable to any such Indebtedness shall be taken into account for the purposes of this subsection (d); or

(e) There shall occur and be continuing an Event of Default under (and as defined in) the Parent Facility; or

(f) Viacom, or any of its Material Subsidiaries or any other Loan Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceedings shall be instituted by or against Viacom, any of its Material Subsidiaries or any other Loan Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for a material part of its Properties employed in its business or any writ, attachment, execution or similar process shall be issued or levied against a material part of the Properties employed in its business or any of its Subsidiaries, and, in the case of any such proceedings instituted against Viacom, or any of its Material Subsidiaries or any other Loan Party (but not instituted by it), either such proceedings shall remain undismitted or unstayed for a period of 60 days or any of the actions sought in such proceedings shall occur; or Viacom or any of its Material Subsidiaries or any other Loan Party shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) Any order for the payment of money or judgment of any court, not appealable or not subject to certiorari or appeal (a "Final Judgment"), which, with other outstanding Final Judgments and any such judgments against Viacom or any

of its Subsidiaries other than the Subsidiary Borrower, exceeds an aggregate of \$50,000,000 shall be rendered against the Subsidiary Borrower or any of its Material Subsidiaries and, within 60 days after entry thereof, such Final Judgment shall not have been discharged; or

(h) (i) With respect to any Plan, a final determination is made that a prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA occurred which results in direct or indirect liability of the Subsidiary Borrower or any of its Material Subsidiaries, (ii) with respect to any Title IV Plan, the filing of a notice to voluntarily terminate any such plan in a distress termination, (iii) with respect to any Multiemployer Plan, the Subsidiary Borrower, any of its Material Subsidiaries or any of its or their ERISA Affiliates shall incur any Withdrawal Liability, or (iv) with respect to any Qualified Plan, the Subsidiary Borrower, any of its Material Subsidiaries or any of its or their ERISA Affiliates shall incur an accumulated funding deficiency or request a funding waiver from the IRS; provided, however, that the events listed in clauses (i)-(iv) hereof shall constitute Events of Default only if the liability, deficiency or waiver request of the Subsidiary Borrower, any of its Material Subsidiaries or any of its or their ERISA Affiliates, together with any such liability, deficiency or waiver request of Viacom or any of its Material Subsidiaries (other than the Subsidiary Borrower), as finally determined, exceeds \$25,000,000 in any case set forth in clauses (i)-(iv) above, or exceeds \$25,000,000 in the aggregate for all such cases; and, provided further, however, that with respect to the events listed in clauses (i), (iii) and (iv) hereof there shall be no Event of Default if the liability of the Subsidiary Borrower, the relevant Material Subsidiary or the relevant ERISA Affiliate is satisfied in full or in accordance with the due dates therefor; or

(i) NAI shall fail to own of record and beneficially not less than 51% of the outstanding stock having ordinary voting power to elect a majority of the board of directors of Viacom and such failure of NAI shall remain unremedied for fifteen days after the earlier of the date on which (A) telephonic or telegraphic notice thereof shall have been given to the Administrative Agent by the Subsidiary Borrower pursuant to Section 6.9, or (B) written notice thereof shall have been given to the Subsidiary Borrower by the Administrative Agent or any Bank; or

(j) This Agreement or any other Loan Document shall cease to be valid or enforceable for any reason in any material respect;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Majority Banks, by notice to the Subsidiary Borrower, declare the obligation of each Bank to make Subsidiary Loans to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Majority Banks, by notice to the Subsidiary Borrower, declare all amounts due under this Agreement and all interest thereon to be forthwith due and payable, whereupon all

amounts due from the Subsidiary Borrower under this Agreement and all such interest and all such amounts shall become and be forthwith due and payable; provided, however, that upon an actual or deemed entry of an order for relief with respect to the Subsidiary Borrower or any of its Material Subsidiaries under the federal Bankruptcy Code, (A) the obligation of each Bank to make Subsidiary Loans to the Subsidiary Borrower shall automatically be terminated and (B) all amounts due from the Subsidiary Borrower under this Agreement and all such interest and all such amounts shall automatically and without further notice become and be due and payable. In addition to the remedies set forth above, the Administrative Agent may exercise any other remedies provided for by this Agreement in accordance with the terms hereof or any other remedies provided by applicable law.

ARTICLE IX

THE MANAGING AGENTS AND THE FACILITY AGENTS

9.1. Authorization and Action. Each Bank hereby appoints and authorizes each Facility Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Facility Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement, no Facility Agent shall be required to exercise any discretion or take any action, but each shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks (or when expressly required hereunder, all the Banks), and such instructions shall be binding upon all Banks; provided, however, that no Facility Agent shall be required to take any action that exposes such Facility Agent to personal liability or that is contrary to this Agreement or applicable law. Each Facility Agent agrees to give to each Bank prompt notice of each notice given to it by the Subsidiary Borrower pursuant to the terms of this Agreement.

9.2. Managing Agents' and Facility Agents' Reliance, Etc. Neither the Managing Agents, the Facility Agents, their Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement, except for its own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, (i) any Managing Agent or Facility Agent may consult with legal counsel (including counsel to the Subsidiary Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) neither the Managing Agents nor the Facility Agents make any warranty or representation to any Bank and none of them shall be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement; (iii) neither the Managing Agents nor the Facility Agents shall have any duty to ascertain or to inquire

as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Subsidiary Borrower or to inspect the Properties (including the books and records) of the Subsidiary Borrower; (iv) neither the Managing Agents nor the Facility Agents shall be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) neither the Managing Agents nor the Facility Agents shall incur liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties. Neither the Agents nor the Co-Agents shall, in their respective capacities as such, have any duties under this Agreement other than those that they have in their capacities as Banks.

9.3. The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, and The Chase Manhattan Bank and Their Affiliates. With respect to the Subsidiary Commitments of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, The Chase Manhattan Bank, respectively, and the Subsidiary Loans made by each of them, each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, and The Chase Manhattan Bank shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not a Managing Agent or Facility Agent, as the case may be; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, and The Chase Manhattan Bank in their individual capacities. Each of The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, and The Chase Manhattan Bank and their Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Subsidiary Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Subsidiary Borrower or any such Subsidiary, all as if The Bank of New York, Citibank, N.A., Morgan Guaranty Trust Company of New York, Bank of America NT&SA, or The Chase Manhattan Bank, as the case may be, were not a Managing Agent or a Facility Agent, as the case may be, and without any duty to account therefor to the Banks.

9.4. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Managing Agents, the Facility Agents, the Arrangers, the Agents, the Co-Agents or any other Bank, and based on the financial statements referred to in Article VII of the Parent Facility and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Managing Agents, the Facility Agents, the Arrangers, the Agents, the Co-Agents or any other Bank and based on such documents and information

as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

9.5. Determinations Under Sections 4.1 and 4.2. For purposes of determining compliance with the conditions specified in Sections 4.1 and 4.2, each Bank shall be deemed to have consented to, approved or accepted, or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Banks unless an officer of the Administrative Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Bank prior to the applicable Subsidiary Borrowing specifying its objection thereto (unless such objection shall have been withdrawn by notice to the Administrative Agent to that effect or such Bank shall have made available to the Administrative Agent such Bank's ratable portion of such Subsidiary Borrowing).

9.6. Indemnification. Each Bank agrees to indemnify the Managing Agents, the Facility Agents, the Arrangers and their respective Affiliates, and their respective directors, officers, employees, agents and advisors (to the extent not reimbursed by the Subsidiary Borrower), ratably according to such Bank's Ratable Portion of the Subsidiary Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including, without limitation, fees and disbursements of legal counsel) of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against, any such Person in any way relating to or arising out of this Agreement or any action taken or omitted by any such Person under this Agreement; provided, however, that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from any such Person's gross negligence or willful misconduct or from any violation or alleged violation by any such Person or any other Bank of any law, rule or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) or, with respect to any Managing Agent or Facility Agent, any conflict or alleged conflict between its rights and duties in its capacity as such or as a Bank under this Agreement and any other rights or duties it may have in any other capacity in which it may act in connection with the consummation of the transactions contemplated by this Agreement, whether or not such Bank is a party to such transactions. Without limitation of the foregoing, each Bank agrees to reimburse any such Person promptly upon demand for its ratable share of any out-of-pocket expenses (including fees and disbursements of one counsel) incurred by such Person in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such Person is not reimbursed for such expenses by the Subsidiary Borrower.

9.7. Successor Facility Agents. Any Facility Agent may resign at any time by giving written notice thereof to the Banks and the Subsidiary Borrower and may be

removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor to such Facility Agent. If no successor to such Facility Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the retiring Facility Agent's giving of notice of resignation or the Majority Banks' removal of such retiring Facility Agent, then such retiring Facility Agent on behalf of the Banks, shall appoint a successor Facility Agent (which successor Facility Agent shall be a Bank or another commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000). Upon the acceptance of any appointment as a Facility Agent hereunder by any successor Facility Agent, such successor Facility Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Facility Agent, and such retiring Facility Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Facility Agent's resignation or removal hereunder, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Facility Agent.

ARTICLE X

MISCELLANEOUS

10.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Subsidiary Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing signed by all the Banks and consented to by all of the Banks as defined under the Parent Facility, do any of the following: (a) waive any of the conditions specified in Section 4.1 or 4.2; (b) increase the Subsidiary Commitments of the Banks or subject the Banks to any additional obligations; (c) change the principal of, or decrease the interest on, any amounts payable hereunder (or the Parent Guarantee) or reduce the amount of any Commitment Fee payable to the Banks hereunder or the Parent Guarantee; (d) postpone any date fixed for any scheduled payment of any Commitment Fee, or scheduled payment of principal of, or interest on, any amounts, payable hereunder or under the Parent Guarantee; (e) change the definition of Majority Banks; or (f) amend this Section 10.1; and provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Persons required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement.

10.2. Notices, Etc. Except as otherwise set forth herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopy or cable communication) and mailed, telegraphed, telexed, telecopied,

cabled or delivered by hand, if to the Subsidiary Borrower, c/o Viacom Inc., 1515 Broadway, New York, New York 10036, Attention: Treasurer; if to any Bank, at its Domestic Lending Office specified opposite its name on Schedule I; and if to the Administrative Agent, at its address at 399 Park Avenue, 4th Floor, Zone 6, New York, New York 10043, Attention: David Clark; or, as to the Subsidiary Borrower, any Bank or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Subsidiary Borrower and the Administrative Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, cabled or delivered, be effective when deposited in the mails, delivered to the telegraph company, confirmed by telex answerback, telecopied with confirmation of receipt, delivered to the cable company or delivered by hand to the addressee or its agent, respectively, except that notices and communications to the Administrative Agent pursuant to Article II or IX shall not be effective until received by the Administrative Agent.

The Subsidiary Borrower hereby authorizes Viacom to deliver any written notices or requests contemplated hereunder on its behalf, and each other party hereto may rely upon any such notice or request from Viacom from time to time, until notice to the contrary is received in writing from the Subsidiary Borrower.

10.3. No Waiver; Remedies. No failure on the part of any Bank, the Managing Agents or any Facility Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10.4. Costs; Expenses; Indemnities. (a) The Subsidiary Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the other Loan Documents and the other documents to be delivered hereunder or thereunder, including, without limitation, the specified reasonable fees and out-of-pocket expenses of one counsel to the Managing Agents and the Facility Agents and the Arrangers with respect thereto and with respect to advising the Managing Agents, the Facility Agents and the Arrangers as to their rights and responsibilities under this Agreement, and all costs and expenses of the Managing Agents, the Facility Agents and the Banks (including, without limitation, reasonable counsel fees and expenses) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Loan Documents and the other documents to be delivered hereunder and thereunder.

(b) The Subsidiary Borrower agrees to defend, indemnify and hold harmless each of the Managing Agents, the Facility Agents, the Arrangers and the Banks

and their respective affiliates and their respective directors, officers, attorneys, agents, employees, successors and assigns (each, an "Indemnified Person") from and against any and all liabilities, obligations, losses, damages, penalties, actions, claims, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel of the Managing Agents, the Facility Agents, the Arrangers or the Banks) which may be incurred by or asserted or awarded against any Indemnified Person, in each case arising in any manner of or in connection with or by reason of the Merger, the Merger Agreement, the Tender Offer, this Agreement, the other Loan Documents, the Subsidiary Commitments or any undertakings in connection therewith, or the proposed or actual application of the proceeds of the Subsidiary Loans (all of the foregoing collectively, the "Indemnified Liabilities") and will reimburse each Indemnified Person on a current basis for all expenses (including counsel fees as they are incurred by such party) in connection with investigating, preparing or defending any such action, claim or suit, whether or not in connection with pending or threatened litigation irrespective of whether such Indemnified Person is designated a party thereto; provided that the Subsidiary Borrower shall not have any liability hereunder to any Indemnified Person with respect to Indemnified Liabilities which are determined by a final and nonappealable judgment of a court of competent jurisdiction to have arisen primarily from the gross negligence or willful misconduct of such Indemnified Person; and provided further, that if the Subsidiary Borrower has determined in good faith that such Indemnified Liabilities were primarily the result of such Indemnified Person's gross negligence or willful misconduct, they shall not be obligated to pay such Indemnified Liabilities until a court of competent jurisdiction has determined whether such Indemnified Person acted with gross negligence or willful misconduct. If for any reason the foregoing indemnification is unavailable to an Indemnified Person or insufficient to hold an Indemnified Person harmless, then each Subsidiary Borrower shall contribute to the amount paid or payable by such Indemnified Person as a result of any Indemnified Liability in such proportion as is appropriate to reflect not only the relative benefits received by the Subsidiary Borrower and each Managing Agent, each Facility Agent, each Arranger and each Bank, but also the relative fault of the Subsidiary Borrower and each Managing Agent, each Facility Agent, each Arranger and each Bank, as well as any other relevant equitable considerations. The foregoing indemnity shall be in addition to any rights that any Indemnified Person may have at common law or otherwise, including, but not limited to, any right to contribution.

(c) If any Bank receives any payment of principal of, or is subject to a conversion of, any Eurodollar Rate Loan other than on the last day of an Interest Period relating to such Subsidiary Loan, as a result of any payment or conversion made by the Subsidiary Borrower or acceleration of the maturity of the amounts due under this Agreement pursuant to Section 8.1 or for any other reason, the Subsidiary Borrower shall, upon demand by such Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment or conversion, including, without limitation,

any loss (excluding loss of the margin payable in accordance with Section 3.2 on the amount of principal so paid, or any loss), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain such Subsidiary Loan. The foregoing obligations of the Subsidiary Borrower contained in paragraphs (a), (b) and (c) of this Section 10.4, and the obligations of the Subsidiary Borrower contained in Sections 3.5 and 3.7, shall survive the payment of the Subsidiary Loans.

10.5. Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 8.1 to authorize the Administrative Agent to declare all amounts under this Agreement due and payable pursuant to the provisions of Section 8.1 or the automatic acceleration of such amounts pursuant to the proviso to that Section, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Subsidiary Borrower against any and all of the obligations of the Subsidiary Borrower now or hereafter existing under this Agreement irrespective of whether or not such Bank shall have made any demand under this Agreement and although such obligations may be unmaturred. Each Bank agrees promptly to notify the Subsidiary Borrower after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section 10.5 are in addition to any other rights and remedies (including, without limitation, any other rights of set-off) which such Bank may have.

10.6. Binding Effect. Subject to Article IV hereunder, this Agreement shall become effective when it shall have been executed by the Subsidiary Borrower, each of the Managing Agents, each of the Facility Agents and each of the Arrangers and when the Managing Agents shall have been notified by each of the Banks that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Subsidiary Borrower, each of the Managing Agents, each of the Facility Agents, each of the Arrangers and each of the Banks and their respective successors and assigns, except that (i) the Subsidiary Borrower shall have no right to assign its rights or obligations hereunder or any interest herein (and any such purported assignment shall be void) without the prior consent of the Banks (x) except in connection with any (x) merger or consolidation permitted under Section 9.2 of the Parent Facility or (y) merger, consolidation or sale of assets consented to by the Managing Banks and (ii) no Bank may sell, transfer, assign, pledge or grant participations in any of its Subsidiary Loans or any of its rights or obligations hereunder except in accordance with Section 10.7 or as expressly required hereunder.

10.7. Assignments and Participations; Additional Banks. (a) Any Bank may, at any time, with notice substantially in the form of Exhibit F hereto (each, a

"Notice of Assignment and Acceptance") delivered to the Administrative Agent for its acceptance and recording, together with a recording fee in the amount of \$3,000, assign all or any part of its rights and obligations and delegate its duties under this Agreement (A) to any other Bank or any affiliate of any Bank which actually controls, is controlled by, or is under common control with such Bank or to any Federal Reserve Bank (in either case without limitation as to amount), or (B) with the prior consent of the Subsidiary Borrower (such consent not to be unreasonably withheld), to any other Person (but if in part, in a minimum amount that, taken together with amounts assigned to the same transferee under the Parent Facility, equals at least \$25,000,000 or, if less, the balance of such Bank's Subsidiary Commitment); provided, however, that each assigning Bank must assign an identical percentage of its Subsidiary Loans and Subsidiary Loan Commitments under this Agreement and Term Loans and Term Loan Commitment under the Parent Facility.

(b) Any Bank may at any time sell or grant participations in its Subsidiary Commitment, or the obligations owing to or from any Person existing under this Agreement; provided, however, that (i) as between such Bank and the Subsidiary Borrower, the existence of such participations shall not give rise to any direct rights or obligations between the Subsidiary Borrower and the participants; (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations; (iii) the Subsidiary Borrower, the Managing Agents, the Facility Agents and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement; and (iv) no such sale or grant of a participation shall, without the consent of the Subsidiary Borrower, require the Subsidiary Borrower to file a registration statement with the Securities and Exchange Commission or apply to qualify the Subsidiary Commitments with respect to the Subsidiary Borrower or the Subsidiary Loans under the securities laws of any state.

(c) If an assignment is made by any Bank in accordance with the provisions of paragraph (a) above, upon acceptance and recording by the Administrative Agent, and approval by the Subsidiary Borrower, where applicable, of each Notice of Assignment and Acceptance, (i) the assignee thereunder shall become a party to this Agreement and the Subsidiary Borrower shall release and discharge the assigning Bank from its duties, liabilities or obligations under this Agreement to the extent the same are so assigned and delegated by such Bank, provided that no such consent, release or discharge shall have effect until the Subsidiary Borrower shall have received a fully executed copy of the Notice of Assignment and Acceptance relating to such assignment, and (ii) Schedule II shall be deemed amended to give effect to such assignment. The Subsidiary Borrower agrees that each such disposition will give rise to a direct obligation of the Subsidiary Borrower to any such assignee.

(d) The Subsidiary Borrower authorizes each Bank to disclose to any prospective assignee or participant and any assignee or participant any and all financial information in such Bank's possession concerning the Subsidiary Borrower and this

Agreement; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Subsidiary Borrower received by it from such Bank in accordance with Section 10.11.

(e) Any Bank which sells or grants participations in any Subsidiary Loans or its Subsidiary Commitment may not grant to the participants the right to vote other than on amendments, consents, waivers, modifications or other actions which change the principal amount of, postpone the scheduled maturity of, or decrease the interest rates applicable to, any Subsidiary Loans under, or increase the amount of, such Subsidiary Commitment (except with respect to participating Affiliates actually controlled by, controlling or under common control with, such Bank); provided, however, that as between the Bank and the Subsidiary Borrower, only the Bank shall be entitled to cast such votes.

(f) No participant in any Bank's rights or obligations shall be entitled to receive any greater payment under Section 3.5 or 3.7 than such Bank would have been entitled to receive with respect to the rights participated, and no participation shall be sold or granted to any Person as to which the events specified in Section 3.6 have occurred on or before the date of participation.

(g) The Administrative Agent shall maintain at its address referred to in Section 10.2 a copy of each Notice of Assignment and Acceptance received by it and a register, containing the terms of each Notice of Assignment and Acceptance, for the recordation of the names and addresses of each Bank and the Subsidiary Commitment of each Bank, and principal amount of the Subsidiary Loans owing to each Bank, from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Subsidiary Borrower, the Banks, the Facility Agents and the Managing Agents may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Subsidiary Borrower, any Bank, any Facility Agent or any Managing Agent at any reasonable time and from time to time upon reasonable prior notice.

10.8. Majority Banks are Third Party Beneficiaries. It is the intention of the parties hereto that no third party shall be deemed to be a third party beneficiary or have any rights under or by virtue of this Agreement except that the Banks under the Parent Facility shall be third party beneficiaries of those provisions of this Agreement pursuant to which they are given the right to vote with respect to certain matters under this Agreement.

10.9. GOVERNING LAW; SEVERABILITY. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS

OF THE STATE OF NEW YORK. WHEREVER POSSIBLE, EACH PROVISION OF THIS AGREEMENT SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS AGREEMENT SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS AGREEMENT.

10.10. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH SUBSIDIARY BORROWER HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH ANY OF THEM MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(b) The Subsidiary Borrower irrevocably consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at its address specified for notices in or pursuant to Section 10.2 hereof, such service to become effective 30 days after such mailing.

(c) Nothing contained in this Section 10.10 shall affect the right of any Managing Agent, any Facility Agent or any Bank to serve process in any other manner permitted by law or commence legal proceedings or otherwise proceed against the Subsidiary Borrower in any other jurisdiction.

(d) Each of the parties hereto waives any right it may have to trial by jury in any proceeding arising out of this Agreement.

10.11. Confidentiality. Each Bank, each Managing Agent and each Facility Agent agrees to keep confidential information obtained by it pursuant hereto (or otherwise obtained from the Subsidiary Borrower in connection with this Agreement) confidential in accordance with such Person's customary practices and agrees that it will only use such information in connection with the transactions contemplated by this

Agreement and not disclose any of such information other than (i) to such Person's employees, counsel, representatives and agents who are or are expected to be involved in the evaluation of such information in connection with the transactions contemplated by this Agreement and who in each case agree to be bound by the provisions of this sentence, (ii) to the extent that disclosure by such Person is required, or to the extent that such Person has been advised by counsel that disclosure is required, in order to comply with any law, regulation or judicial order or requested or required by bank regulators or auditors or other Governmental Authority, (iii) to assignees or participants of the Subsidiary Loans or Subsidiary Commitments or potential assignees or participants of the Subsidiary Loans or Subsidiary Commitments who in each case agree in writing to be bound by the provisions of this sentence or (iv) to the extent that such information has otherwise been disclosed or made public other than by such Person, or such Person's employees, counsel, representatives or agents, in violation of this Section 10.11.

10.12. Section Titles. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

10.13. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed as of the date first above written.

VIACOM INTERNATIONAL INC., as Subsidiary
Borrower

By: _____
Name:
Title:

Managing Agents

THE BANK OF NEW YORK, as Managing Agent,
the Documentation Agent and a Bank

By: _____
Name:
Title:

CITIBANK, N.A., as Managing Agent, the
Administrative Agent and a Bank

By: _____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK, as Managing Agent and a Bank

By: _____
Name:
Title:

BANK OF AMERICA NT&SA, as Managing
Agent, a Syndication Agent and a Bank

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as Managing
Agent and a Bank

By: _____

Name:
Title:

Agents

BANK OF MONTREAL, CHICAGO BRANCH,
as Agent and a Bank

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as Agent and a
Bank

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as Agent and a Bank

By: _____
Name:
Title:

BARCLAYS BANK PLC, as Agent and a Bank

By: _____
Name:
Title:

CANADIAN IMPERIAL BANK OF
COMMERCE, as Agent and a Bank

By: _____
Name:
Title:

CREDIT LYONNAIS, NEW YORK BRANCH, as
Agent and a Bank

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK LTD., NEW
YORK BRANCH, as Agent and a Bank

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR
CAYMAN ISLANDS BRANCH, as Agent and a
Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as Agent and a Bank

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON, as
Agent and a Bank

By: _____
Name:
Title:

THE FUJI BANK, LIMITED, as Agent and a Bank

By: _____
Name:
Title:

GULF INTERNATIONAL BANK, as Agent and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LTD., as Agent and a Bank

By: _____
Name:
Title:

LTCB TRUST COMPANY, as Agent and a Bank

By: _____
Name:
Title:

MELLON BANK, N.A., as Agent and a Bank

By: _____
Name:
Title:

THE MITSUBISHI TRUST AND BANKING
CORP, as Agent and a Bank

By: _____
Name:
Title:

NATIONSBANK OF TEXAS N.A., as Agent and a
Bank

By: _____
Name:
Title:

ROYAL BANK OF CANADA, as Agent and a
Bank

By: _____
Name:
Title:

THE SAKURA BANK, LTD, as Agent and a Bank

By: _____
Name:
Title:

THE SANWA BANK, LTD., as Agent and a Bank

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH,
as Agent and a Bank

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED, as Agent and as a
Bank

By: _____
Name:
Title:

TORONTO DOMINION (NEW YORK), INC., as
Agent and a Bank

By: _____
Name:
Title:

UNION BANK, as Agent and a Bank

By: _____
Name:
Title:

Co-Agents

BANKERS TRUST COMPANY, as Co-Agent and
a Bank

By: _____
Name:
Title:

CREDIT SUISSE FIRST BOSTON, as Co-Agent
and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK OF NORTH
CAROLINA, as Co-Agent and a Bank

By: _____
Name:
Title:

FLEET BANK (f.k.a. NATWEST BANK N.A.),
as Co-Agent and a Bank

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED, NEW
YORK BRANCH, as Co-Agent and a Bank

By: _____
Name:
Title:

UNION BANK OF SWITZERLAND,
NEW YORK BRANCH, as Co-Agent and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

Banks

BANK OF HAWAII, as a Bank

By: _____
Name:
Title:

BANQUE FRANCAISE DU COMMERCE
EXTERIEUR, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANQUE NATIONALE DE PARIS, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANQUE PARIBAS, NEW YORK BRANCH, as
Agent and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BAYERISCHE VEREINSBANK AG, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

CAISSE NATIONALE DE CREDIT AGRICOLE,
as a Bank

By: _____
Name:
Title:

COMPAGNIE FINANCIERE DE CIC ET DE
L'UNION EUROPEENE, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST HAWAIIAN BANK, as a Bank

By: _____
Name:
Title:

HIBERNIA NATIONAL BANK, as a Bank

By: _____
Name:
Title:

LLOYDS BANK, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

PNC BANK, as a Bank

By: _____
Name:
Title:

RIGGS NATIONAL BANK, as a Bank

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO. LTD., as a
Bank

By: _____
Name:
Title:

VAN KAMPEN AMERICAN CAPITAL PRIME
RATE INCOME TRUST, as a Bank

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

THE YASUDA TRUST & BANKING CO., LTD,
as a Bank

By: _____
Name:
Title:

MERRILL LYNCH SENIOR FLOATING FUND,
INC.

By: _____
Name:
Title:

Syndications Agents

JP MORGAN SECURITIES INC., as a Syndication Agent

By: _____
Name:
Title:

BANK OF AMERICA NT&SA, as a Syndication Agent

By: _____
Name:
Title:

VIACOM INC.

1989 LONG-TERM MANAGEMENT INCENTIVE PLAN
(as amended and restated through April 23, 1990,
as further amended and restated through April 27, 1995
and as further amended and restated through November 1, 1996)

ARTICLE I

GENERAL

Section 1.1 Purpose.

The purpose of the Viacom Inc. 1989 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 governing a Grant under the Plan, in a form approved by the Committee, 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 termination date (in the event of a termination of employment as described in Section 2.5(a) hereof), as the case may be, over the Initial Value of such Phantom Share.

(c) "Beneficiary" or "Beneficiaries" shall mean the person(s) designated by the Participant pursuant to the provisions of the Agreement to receive payments pursuant to such Agreement upon the Participant's death. If no Beneficiary is so designated by the Participant or if no Beneficiary is living at the time such a payment is due pursuant to such Agreement, payments shall be made to the estate of the Participant. The Agreement shall provide the Participant with the right to change the designated

Beneficiaries from time to time by written instrument executed by the Participant and filed with the Committee in accordance with such rules as may be specified by the Committee. No such written designation shall be effective unless received by the Committee prior to the date of death of the Participant.

(d) "Board" shall mean the Board of Directors 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 Senior Executive Compensation Committee of the Board (or such other Committee as may be appointed by the Board) except that (i) the number of directors on the Committee shall be not less than two and (ii) each member of the Committee shall be a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act.

(g) "Common Stock" shall mean Voting Common Stock and the Non-Voting Common Stock.

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

(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 Common Stock on a given date shall be the closing price of a share of Voting Common Stock or Non-Voting Common Stock, as the case may be, on the American Stock Exchange or such other national securities exchange as may be designated by the Committee or, in the event that the applicable class of Common Stock is not listed for trading on a national securities exchange but is quoted on an automated quotation system, the average closing bid price per share of such class of Common Stock on such automated quotation system or, in the event that such class of Common Stock is not quoted on any such system, the average of the closing bid prices per share of such class of Common Stock as furnished by a professional marketmaker making a market in such class of Common Stock designated by the Committee.

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

(I) "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; provided, however, that in no event shall the Initial Value be less than 50% of the Value of the relevant Phantom Share as of the Date of Grant.

(m) "Non-Voting Common Stock" shall mean the shares of non-voting Common Stock, par value \$0.01 per share, of the Company.

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

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

(p) "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.

(q) "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 in effect on the date of the Participant's termination of employment with the Company or any subsidiary thereof, unless the Committee determines otherwise, in its discretion, and sets forth an alternative definition in the applicable Agreement.

(r) "Phantom Share" shall mean a contractual right granted to a Participant pursuant to Article II, 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.

(s) "Restricted Share" shall mean a share of Voting Common Stock or Non-Voting Common Stock granted to a Participant pursuant to Article IV, which is subject to the restrictions set forth in Section 4.3 hereof, and subject to such other terms and conditions as are set forth in the Plan and the applicable Agreement.

(t) "Retirement" shall mean the resignation or termination of employment after attainment of an age required for payment of an immediate pension pursuant to the terms of any qualified 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) "Stock Appreciation Right" shall mean a contractual right granted to a Participant pursuant to Article III, to receive an amount determined in accordance with Section 3.5 of the Plan.

(v) "Stock Option" shall mean a contractual right granted to a Participant pursuant to Article III, to purchase Common Stock (which may be Voting Common Stock, Non-Voting Common Stock or both) 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 422A of the Code or "Nonqualified Stock Options" which do not meet the requirements of such Code section.

(w) "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, (x) a failure or refusal by a Participant to substantially perform a material duty of such Participant's employment, (y) the commission by the Participant of a felony or the perpetration by the Participant of a dishonest act or common law fraud against the Company or any subsidiary thereof, or (z) any other act or omission which is materially injurious to the financial condition or business reputation of the Company or any subsidiary thereof.

(x) "Termination of Employment" shall mean the termination of a Participant's employment with the Company or any of its subsidiaries.

(y) "Valuation Date" shall mean the date on which the Appreciation Value of a Phantom Share shall be measured and fixed in accordance with Section 2.2(a) hereof.

(z) The "Value" of a Phantom Share shall be determined by reference to the "average Fair Market Value" of a share of Voting Common Stock, Non-Voting Common Stock or combination thereof, as specified by the Committee and set forth in the applicable Agreement. The "average Fair Market Value" on a given date of a share of Voting Common Stock or Non-Voting Common Stock, as the case may be, 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 applicable class of Common Stock was traded and a closing price was reported on such national securities exchange or on such automated quotation system or by such marketmaker, as the case may be, during such period, and (ii) shall equal the number of days on which the applicable class of Common Stock was traded and a closing price was reported on such national securities exchange or on such automated quotation system or by such marketmaker, as the case may be, during such period.

(aa) To "vest" a Phantom Share, Stock Option, Stock Appreciation Right or Restricted Share held by a Participant shall mean to render such Phantom Share, Stock Option, Stock Appreciation Right or Restricted Share nonforfeitable, except where, with respect to Phantom Shares, Stock Options and Stock Appreciation Rights, a Participant's employment ends because of a Termination for Cause.

(bb) "Voting Common Stock" shall mean the shares of voting Common Stock, par value \$0.01 per share, of the Company.

Section 1.3 Administration of the Plan.

The Plan shall be administered by the Committee which 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 in 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 Phantom Shares, Stock Options, Stock Appreciation Rights or Restricted Shares (or combination thereof) to be granted to each Participant.

Section 1.4 Eligible Persons.

Grants may be awarded only to key employees of the Company and its subsidiaries. An individual shall not be deemed an employee for purposes of the Plan unless such individual receives compensation from either the Company or a subsidiary of the Company for services performed as an employee of the Company or any of its subsidiaries.

Section 1.5 Phantom Shares and Common Stock Subject to the Plan.

The total aggregate number of (i) Phantom Shares that may be granted under the Plan and (ii) shares of Common Stock that may be distributed under the Plan (whether granted as Restricted Shares or reserved for distribution upon grant of Stock Options or Stock Appreciation Rights) shall be 7,000,000, subject to adjustment pursuant to Section 5.2 hereof. The shares of Common Stock shall be made available from authorized but unissued Common Stock or from Common Stock issued and held in the treasury of the Company and may be either shares of Voting Common Stock or Non-Voting Common Stock, as shall be determined by the Committee. The delivery of shares of Common Stock upon exercise of a Stock Option or Stock Appreciation Right in any manner and the vesting of Restricted Shares or the payment of Appreciation

Value with respect to Phantom Shares 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 which vest and the number of Phantom Shares for which such payment is made. Phantom Shares and Restricted Shares 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. Shares of Common Stock with respect to which Stock Options and Stock Appreciation Rights expire, are cancelled without being exercised or are otherwise terminated may be regranted under the Plan. Any Phantom Share for which the Value is determined by reference to the combined Fair Market Values of a share of Voting Common Stock and a share of Non-Voting Common Stock shall be counted as two Phantom Shares for purposes of this Section 1.5.

Section 1.6 Agreements.

Each Agreement (i) shall state the Date of Grant, the name of the Participant and the Participant's employing company, (ii) shall specify the terms of the Grant, (iii) shall be signed by the Participant and a person designated by the Committee, (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.

ARTICLE II

PROVISIONS APPLICABLE TO PHANTOM SHARES

Section 2.1 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 Voting Common Stock, Non-Voting Common Stock or combination thereof (as determined by the Committee), 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 2.3 hereof) for such Phantom Shares, and any applicable limitation on payment (as provided for in Section 2.4 hereof) for such Phantom Shares.

Section 2.2 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 2.5 hereof, and subject to the limitation contained in Section 2.4 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 2.3 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, not in excess of five years from the Date of Grant, as may be specified in a vesting schedule contained therein.

Section 2.4 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 2.5 Employment Requirement.

(a) Death, Retirement, Permanent Disability, Voluntary Termination or Termination by the Company Other Than for Cause. If the employment of a Participant terminates before the occurrence of one or more Valuation Dates applicable to the Participant's Outstanding Phantom Shares for reason of such Participant's death, Retirement or Permanent Disability, voluntary termination by the Participant or termination by the Company or any of its subsidiaries other than for Cause, 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 termination date shall be the lesser of (i) the Appreciation Value of such Phantom Share calculated as of such date of termination or (ii) 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 or the Participant's Beneficiary following the originally scheduled Valuation Date applicable thereto in accordance with Section 2.2(b) hereof. Upon a termination described in this Section 2.5(a), all rights with respect to Phantom Shares that are not vested as of such termination date will be relinquished.

(b) Termination for Cause. If a Participant's employment with the Company or any of its subsidiaries ends because of 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 III

PROVISIONS APPLICABLE TO STOCK OPTIONS

Section 3.1 Grants of Stock Options.

The Committee may from time to time grant to eligible employees Stock Options to purchase 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 Stock Options shall specify the number of Stock Options granted, whether the shares of Common Stock subject to the Option shall be shares of Voting Common Stock, Non-Voting Common Stock or a combination thereof, the exercise price of such Stock Options, whether such Stock Options are Incentive Stock Options or Nonqualified Stock Options and the period during which such Stock Options may be exercised.

Section 3.2 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, except that such exercise price shall not be less than 50% of the Fair Market Value of a share of the class of Common Stock subject to the Option on the Date of Grant and that, with respect to an Incentive Stock Option, such exercise price shall not be less than 100% of the Fair Market Value of a share of the class of Common Stock on the Date of Grant. The exercise price will be subject to adjustment in accordance with the provisions of Article 5.2 of the Plan.

Section 3.3 Exercise of Stock Options.

a) **Exercisability.** Stock Options shall be exercisable only to the extent the Participant is vested therein. 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. 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) **Earliest Exercise Date.** No Stock Option granted under the Plan shall be exercisable until six months after the Date of Grant thereof.

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

(iii) **Registration Restrictions.** A Stock Option shall not be exercisable, no transfer of shares of 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 Common Stock subject to such Stock Option, and the shares of 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 Common Stock subject to such Stock Option 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.

(i) Termination other than for Cause. No Stock Option will be exercisable after the Participant ceases to be an employee of the Company or any of its subsidiaries except that (A) if such employment terminates by reason of such Participant's Retirement, voluntary termination by the Participant or 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 three months after the date of such termination (or such longer period, not in excess of the longer of six months after the date of such termination or Retirement or the second anniversary of the Date of Grant of such Stock Options, as may be determined by the Committee, in its discretion) or the expiration of such Stock Options, (B) if a Participant dies during a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options 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 until the earlier of one year after such 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 (C) if such employment terminates by reason of Permanent Disability, the Participant may exercise his Outstanding Stock Options to the extent exercisable upon his last day of employment until the earlier of one year after such termination of employment (or such longer period not in excess of two years after such date as may be determined by the Committee, in its discretion) or the expiration of such Stock Options. Upon a termination described in clauses (A), (B) or (C) of this Section 3.3(c)(i), all rights with respect to Stock Options that are not vested as of such termination date will be relinquished.

(ii) Termination for Cause. If a Participant's employment with the Company or any of its subsidiaries ends because of 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 3.3 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.

Section 3.4 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, unless the Agreement covering such Stock Option expressly provides to the contrary or the Committee, in its discretion,

determines otherwise, in shares of Voting Common Stock, Non-Voting Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Common Stock or such other securities.

Section 3.5 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 Voting Common Stock and/or Non-Voting 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 Voting Common Stock, Non-Voting Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares or such other securities.

ARTICLE IV

PROVISIONS APPLICABLE TO RESTRICTED SHARES

Section 4.1 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 and the vesting schedule (as provided for in Section 4.2 hereof) for such Restricted Shares.

Section 4.2 Vesting.

The Committee shall establish the vesting schedule applicable to Restricted Shares granted hereunder, which vesting schedule shall specify the period of time and the increments in which a Participant shall vest in the Grant of Restricted Shares; provided, however, that no such Restricted Share shall vest until six months after the Date of Grant thereof.

Section 4.3 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 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 Common Stock, including the right to receive dividends and to vote (to the extent applicable) such shares of Common Stock, subject to the following restrictions: (a) the Participant shall not be entitled to delivery of certificates representing such shares of 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 4.6 below, all unvested Restricted Shares shall be immediately forfeited upon a Participant's termination of employment with the Company for any reason.

Section 4.4 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.

Section 4.5 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 and one or more stock certificates for the appropriate number of shares of 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 4.6 Termination of Employment.

If the employment of a Participant terminates for any reason (Participant's death, Retirement or Permanent Disability, voluntary termination by the Participant, termination by the Company or any of its subsidiaries other than for Cause or termination by the Company or any of its subsidiaries for Cause) prior to the date or dates on which Restricted Shares vest, the Participant shall forfeit all unvested Restricted Shares as of the date of termination, unless, in the case of a termination other than 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 termination, in which case certificates representing such shares shall be delivered, in accordance with Section 4.5 above, to the Participant or, in the case of 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

EFFECT OF CERTAIN CORPORATE CHANGES AND CHANGES IN CONTROL

Section 5.1 Effect of Reorganization.

In the event that (i) the Company is merged or consolidated with another corporation, (ii) one person becomes the beneficial owner of more than fifty percent (50%) of the issued and outstanding equity securities of the Company (for purposes of this Section 5.1, the terms "person" and "beneficial owner" shall have the meanings assigned to them in Section 13(d) of the Exchange Act), (iii) all or substantially all of the assets of the Company are acquired by another corporation, person or entity (each such event in (i), (ii) or (iii) or any other similar event or series of events which results in an event described in (i), (ii) or (iii), being hereinafter referred to as a "Reorganization Event") or (iv) the Board shall propose that the Company enter into a Reorganization Event, then the following shall apply:

(a) With respect to Phantom Shares granted pursuant to Article II hereof, the Committee shall take one of the following actions, the choice of which being in its sole discretion, unless, in the case of any Participant, the Participant agrees otherwise: (i) cause the surviving entity or new owner, as the case may be, to agree to adopt the Plan and to maintain it, with respect to all Outstanding Phantom Shares under the Plan as of the date of the Reorganization Event, in accordance with the terms in effect as of the date of the Reorganization Event, and to agree to adopt the related Agreements and to continue in effect their respective terms as such terms were in effect as of the date of the Reorganization Event, except that (A) the Plan and related Agreements may be modified to utilize the stock of such surviving entity or new owner, in lieu of the Voting Common Stock or Non-Voting Common Stock (or combination thereof), to measure the Value of the Phantom Shares, if equitable adjustments are made to reflect the relative values of such stock immediately prior to the occurrence of the Reorganization Event or (B) if the Voting Common Stock or Non-Voting Common Stock (or combination thereof) continues to be utilized to measure the Value of the Phantom Shares, equitable adjustments are to be made to reflect the relative values of such stock immediately prior to and following the Reorganization Event, if appropriate; or (ii) determine the Appreciation Value of the Phantom Shares by reference to the consideration to be paid for the Voting Common Stock or Non-Voting Common Stock, as the case may be, in such Reorganization Event, and modify the Plan and the related

Agreements, if appropriate, to provide that when and if the Participant is entitled to a payment under the provisions of the Plan and related Agreement (including, without limitation, the provisions regarding vesting, payment, limitation on payment and employment requirements) as they were in effect prior to the proposal of the Reorganization Event, such payment shall be computed on the basis of such Appreciation Value as so determined;

(b) with respect to Stock Options and Stock Appreciation Rights granted pursuant to Article III hereof and with respect to Restricted Shares granted pursuant to Article IV hereof, the Committee shall take one of the following actions, the choice of which being in its sole discretion, unless, in the case of any Participant, the Participant agrees otherwise: (i) cause the surviving entity or new owner, as the case may be, to agree to adopt the Plan and maintain it, with respect to all Outstanding Stock Options, Stock Appreciation Rights and Restricted Shares, in accordance with the terms in effect as of the date of the Reorganization Event, and to agree to adopt the related Agreements and to continue in effect their respective terms as such terms were in effect as of the date of the Reorganization Event, except that equitable adjustments shall be made, if appropriate, to reflect the relative values of the Voting Common Stock or Non-Voting Common Stock (or combination thereof) immediately prior to and following the occurrence of the Reorganization Event; (ii) cause the surviving entity or new owner, as the case may be, to grant new stock options and stock appreciation rights, if applicable (the "Substitute Options"), in substitution for the unexercised Stock Options and Stock Appreciation Rights as of the date of the Reorganization Event or to award new restricted shares (the "New Restricted Shares") in substitution for the unvested Restricted Shares, as of the date of the Reorganization Event; provided, however, that such Substitute Options or such New Restricted Shares, as the case may be, shall have a value, as of the date of such Reorganization Event, equal to the value of such unexercised Stock Options and Stock Appreciation Rights or such unvested Restricted Shares as of such date; (iii) solely with respect to Outstanding Stock Options, provide for the payment upon termination or cancellation of Outstanding Stock Options of an amount in cash or securities equal to the excess, if any, of the aggregate Fair Market Value of the Voting Common Stock or Non-Voting Common Stock (or combination thereof) subject to such Stock Options at the time of such termination or cancellation over the aggregate exercise price of such Stock Options; or (iv) advance the dates upon which all Outstanding Stock Options, Stock Appreciation Rights and Restricted Shares vest.

Notwithstanding the provisions of Sections 5.1(a) and 5.1(b) above, in the event that the effect of the provisions contained therein should become a material impediment, either from a financial point of view or otherwise, to the consummation of a proposed Reorganization Event, the Committee may take such action as it deems equitable and appropriate to provide each Participant with a benefit equivalent to that which he would have been entitled had such event not occurred. Further, for the purposes of the first sentence of this Section 5.1, no event or series of events involving National Amusements, Inc., the Company or any of their respective subsidiaries or

affiliates shall be deemed to be a Reorganization Event unless such event or series or events results in there being no class of equity securities of the Company which is publicly traded. Any action taken by the Committee may be made conditional upon the consummation of the applicable Reorganization Event. Further, in the event that a division or subsidiary of the Company is acquired by another corporation, person, or entity, the Company is reorganized, dissolved or liquidated, an event or series of events involving a corporate restructuring not described in the first sentence of this Section occurs, or the Board shall propose that the Company enter into any such transaction, event or series of events, then the Committee will take such action as it, in its sole discretion, deems equitable or appropriate to provide each Participant with a benefit equivalent to that which he would have been entitled had such event not occurred.

Section 5.2 Dilution and Other Adjustments.

In the event of a stock dividend or split, issuance or repurchase of stock or securities convertible into or exchangeable for shares of stock, grants of options, warrants or rights (other than pursuant to the Plan) to purchase stock, recapitalization, combination, exchange or similar change affecting the Voting Common Stock or Non-Voting Common Stock, as the case may be, the Committee shall, in its discretion, make any or all of the following adjustments to provide each Participant with a benefit equivalent to that which he would have been entitled had such event not occurred: (i) adjust the number of Phantom Shares, Restricted Shares or shares of Voting Common Stock or Non-Voting Common Stock, as the case may be, subject to any Stock Options or Stock Appreciation Rights granted to each Participant, (ii) adjust the Initial Value of such Phantom Shares, or the exercise price of the shares of Voting Common Stock or Non-Voting Common Stock, as the case may be, subject to such Stock Options or Stock Appreciation Rights, and (iii) make any other adjustments, or take such action, as the Committee, in its discretion, deems appropriate. Such adjustments shall be conclusive and binding for all purposes. In the event of a change in the Voting Common Stock or Non-Voting Common Stock, as the case may be, which is limited to a change in the designation thereof to "Capital Stock" or other similar designation, or to a change in the par value thereof, or from par value to no par value, without increase or decrease in the number of issued shares, the shares resulting from any such change shall be deemed to be Voting Common Stock or Non-Voting Common Stock, as the case may be, within the meaning of the Plan.

ARTICLE VI

MISCELLANEOUS

Section 6.1 No Rights to Grants or Continued Employment.

No employee shall have any claim or right to receive Grants under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained by the Company or any of its subsidiaries.

Section 6.2 Restriction on Transfer.

The rights of a Participant with respect to Phantom Shares, Stock Options, Stock Appreciation Rights or Restricted Shares shall not be transferable by the Participant to whom such Phantom Shares, Stock Options, Stock Appreciation Rights or Restricted Shares are granted, otherwise than by will or the laws of descent and distribution.

Section 6.3 Tax Withholding.

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 Beneficiary any Federal, state or local 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, that a Participant pay an additional amount in cash equal to the amount of any Federal, state or local taxes owed by the Participant as a result of such exercise.

Section 6.4 Stockholder Rights.

No Grant under the Plan shall entitle a Participant or Beneficiary to any rights of a holder of shares of Common Stock, except as provided in Article IV with respect to Restricted Shares or upon the delivery of share certificates to a Participant upon exercise of a Stock Option or upon the delivery of share certificates in settlement of a Stock Appreciation Right.

Section 6.5 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, recapitalization, reorganization 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 Common Stock or the rights thereof or which are convertible into or exchangeable for 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 6.6 Source of Payments.

The general funds of the Company shall be the sole source of payments of Appreciation Value and cash settlements of Stock Appreciation Rights under the Plan, 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 any person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

ARTICLE VII

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; provided, however, that any amendment which must be approved by the stockholders of the Company in order to maintain the continued qualification of the Plan under Rule 16b-3 of the Exchange Act shall not be effective unless and until such stockholder approval has been obtained in compliance with such rule. 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 Phantom Shares, Stock Options, Stock Appreciation Rights or Restricted Shares covered by such Grant. Unless previously terminated pursuant to this Article VII, 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 VIII

INTERPRETATION

Section 8.1 Governmental Regulations.

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

Section 8.2 Headings.

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

Section 8.3 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 IX

EFFECTIVE DATE AND STOCKHOLDER APPROVAL

The Plan shall be effective as of August 1, 1989 (the "Effective Date") 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 thereunder shall be void ab initio and of no effect. No Stock Option or Stock Appreciation Right shall be exercisable, no Restricted Share shall vest and no Appreciation Value shall be paid with respect to a Phantom Share until the date of such stockholder approval.

VIACOM INC.
1994 LONG-TERM MANAGEMENT INCENTIVE PLAN
(as amended and restated through April 27, 1995 and
as further amended and restated through November 1, 1996)

ARTICLE I

GENERAL

Section 1.1 Purpose.

The purpose of the Viacom Inc. 1994 Long-Term 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 governing a Grant under the Plan, in a form approved by the Committee, 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 4.5(a) hereof), as the case may be, over the Initial Value of such Phantom Share.

(c) "Beneficiary" or "Beneficiaries" shall mean the person(s) designated by the Participant pursuant to the provisions of the Agreement to receive payments pursuant to such Agreement upon the Participant's death. If no Beneficiary is so designated by the Participant or if no Beneficiary is living at the time such a payment is due pursuant to such Agreement, payments shall be made to the estate of the Participant. The Agreement shall provide the Participant with the right to change the designated Beneficiaries from time to time by written instrument executed by the Participant and filed with the Committee in accordance with such rules as may be specified by the Committee. No such written designation shall be effective unless received by the Committee prior to the date of death of the Participant.

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

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

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

(g) "Committee" shall mean the Senior Executive Compensation Committee of the Board (or such other Committee as may be appointed by the Board) except that (i) the number of directors on the Committee shall be not less than two and (ii) each member of the Committee shall be a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act.

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

(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 of a share of the Class B Common Stock on the American Stock Exchange or such other national securities exchange as may be designated by the Committee, or, in the event that the Class B Common Stock is not listed for trading on a national securities exchange but is quoted on an automated quotation system, the average closing bid per share of the Class B Common Stock on such automated quotation system or, in the event that the Class B Common Stock is not quoted on any such system, the average of the closing bid prices per share of the Class B Common Stock as furnished by a professional marketmaker making a market in the Class B Common Stock designated by the Committee.

(k) "Grant" shall mean a grant under the Plan which may consist of a grant of Stock Options, Stock Appreciation Rights, Restricted Shares 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; provided, however, that in no event shall the Initial Value be less than 50% of the Value of the relevant Phantom Share as of the Date of Grant.

(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 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 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.

(q) "Phantom Share" shall mean a contractual right granted to a Participant pursuant to Article IV, 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 subject to such other terms and conditions as are set forth in the Plan and the applicable Agreement.

(s) "Retirement" shall mean the resignation or termination of employment after attainment of an age required for payment of an immediate pension pursuant to the terms of any qualified 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.

(t) "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.

(u) "Stock Option" shall mean a contractual right granted to a Participant pursuant to Article II, to purchase 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.

(v) "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, (x) a failure or refusal by a Participant to substantially perform a material duty of such Participant's employment, (y) the commission by the Participant of a felony or the perpetration by the Participant of a dishonest act or common law fraud against the Company or any subsidiary thereof, or (z) any other act or omission which is materially injurious to the financial condition or business reputation of the Company or any subsidiary thereof.

(w) "Valuation Date" shall mean the date on which the Appreciation Value of a Phantom Share shall be measured and fixed in accordance with Section 4.2(a) hereof.

(x) 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 on such national securities exchange or on such automated quotation system or by such marketmaker, as the case may be, during such period, and (ii) shall equal the number of days on which the Class B Common Stock was traded and a closing price was reported on such national securities exchange or on such automated quotation system or by such marketmaker, as the case may be, during such period.

(y) To "vest" a Stock Option, Stock Appreciation Right, Restricted Stock or Phantom Share held by a Participant shall mean to render such Stock Option, Stock Appreciation Right, Restricted Share 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 Committee which 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 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 or Phantom Shares (or combination thereof) to be granted to each Participant.

Section 1.4 Eligible Persons.

Grants may be awarded only to key employees of the Company or one of its subsidiaries. An individual shall not be deemed an employee for purposes of the Plan unless such individual receives compensation from either the Company or a subsidiary of the Company for services performed as an employee of the Company or any of its subsidiaries.

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) shall be 10,000,000, subject to adjustment pursuant to Section 5.2 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 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 which vest. Shares of Class B Common Stock with respect to which Stock Options and Stock Appreciation Rights expire, are cancelled without being exercised or are otherwise terminated may be regranted under the Plan. Restricted Shares 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 Annual Grants to Participants.

The maximum aggregate number of (i) 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) and (ii) Phantom Shares that may be granted under the Plan during any calendar year to any Participant at the level of Senior Vice President of the Company or above is 1,000,000.

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 the Participant and a person designated by the Committee, (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.

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. Each Agreement covering a Grant of Stock Options shall specify the number of Stock Options granted, the exercise price of such Stock Options, whether such Stock Options are Incentive Stock Options or Non-Qualified Stock Options and the period during which such Stock Options may be exercised.

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, except that such exercise price shall not be less than 50% of the Fair Market Value of a share of Class B Common Stock subject to the Option on the Date of Grant and that, with respect to an Incentive Stock Option, 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. The exercise price will be subject to adjustment in accordance with the provisions of Article 5.2 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. 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. 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) Earliest Exercise Date. No Stock Option granted under the Plan shall be exercisable until six months after the Date of Grant thereof.

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

(iii) 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 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, Retirement, Death or Permanent Disability. 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, the termination by the Company or any of its subsidiaries other than for Cause or the Participant's Retirement, his Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of three months after the date of such termination or Retirement (or such longer period, not in excess of the longer of six months after the date of such termination or Retirement or the second anniversary of the Date of Grant of such Stock Options, as may be determined by the Committee, in its discretion) or the expiration of such Stock Options, (B) a Participant dies during a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options 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 until the earlier of one year after such 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 (C) the Permanent Disability of the Participant occurs, the Participant may exercise his Outstanding Stock Options to the extent exercisable upon date of the onset of such Permanent Disability until the earlier of one year after such date (or such longer period not in excess of two years after such date 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) or (C) of this Section 2.2(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 because of 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 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.

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 or other securities of the Company designed by the Committee or in a combination of cash, shares or such other securities.

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 for 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 and the vesting schedule (as provided for in Section 3.2 hereof) for such Restricted Shares.

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 and the increments in which a Participant shall vest in the Grant of Restricted Shares; provided, however, that no such Restricted Share shall vest until six months after the Date of Grant thereof.

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 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.

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 and one or more stock certificates for the appropriate number of shares of 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, 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 PHANTOM SHARES

Section 4.1 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 4.3 hereof) for such Phantom Shares, and any applicable limitation on payment (as provided for in Section 4.4 hereof) for such Phantom Shares.

Section 4.2 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 4.5 hereof, and subject to the limitation contained in Section 4.4 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 4.3 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, not in excess of five years from the Date of Grant, as may be specified in a vesting schedule contained therein.

Section 4.4 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 4.5 Termination of Employment, Death, Retirement or Permanent Disability.

(a) Voluntary Termination, Termination by the Company Other Than for Cause, Death, Retirement or Permanent Disability. 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 or the Participant or the Participant's Beneficiary following the originally scheduled Valuation Date applicable thereto in accordance with Section 4.2(b) hereof. Upon the occurrence of an event described in this Section 4.5(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 because of 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 V

EFFECT OF CERTAIN CORPORATE CHANGES AND CHANGES IN CONTROL

Section 5.1 Effect of Reorganization.

In the event that (i) the Company is merged or consolidated with another corporation, (ii) one person becomes the beneficial owner of more than fifty percent (50%) of the issued and outstanding equity securities of the Company (for purposes of this Section 5.1, the terms "person" and "beneficial owner" shall have the meanings assigned to them in Section 13(d) of the Exchange Act), (iii) all or substantially all of the assets of the Company are acquired by another corporation, person or entity (each such event in (i) or (ii) or any other similar event or series of events which results in an event described in (i), (ii) or (iii), being hereinafter referred to as a "Reorganization Event") or (iv) the Board shall propose that the Company enter into a Reorganization Event, then the following shall apply:

(a) With respect to Stock Options and Stock Appreciation Rights granted pursuant to Article II hereof and with respect to Restricted Shares granted pursuant to Article III hereof, the Committee shall take one of the following actions, the choice of which being in its sole discretion, unless, in the case of any Participant, the Participant agrees otherwise: (i) cause the surviving entity or new owner, as the case may be, to agree to adopt the Plan and maintain it, with respect to all Outstanding Stock Options, Stock Appreciation Rights and Restricted Shares, in accordance with the terms in effect as of the date of the Reorganization Event, and to agree to adopt the related Agreements and to continue to effect their respective terms as such terms were in effect as of the date of the Reorganization Event, except that equitable adjustments shall be made, if appropriate, to reflect the relative values of the Class B Common Stock immediately prior to and following the occurrence of the Reorganization Event; (ii) cause the surviving entity or new owner, as the case may be, to grant new stock options and stock appreciation rights, if applicable, (the "Substitute Options"), in substitution for the unexercised Stock Options and Stock Appreciation Rights as of the date of the Reorganization Event or to award new restricted shares (the "New Restricted Shares") in substitution for the unvested Restricted Shares, as of the date of the Reorganization Event; provided, however, that such Substitute Options or such New Restricted Shares, as the case may be, shall have a value, as of the date of such Reorganization Event, equal to the value of such unexercised Stock Options and Stock Appreciation Rights or such unvested Restricted Shares as of such date; (iii) solely with respect to Outstanding Stock Options, provide for the payment upon termination or

cancellation of Outstanding Stock Options of an amount in cash or securities equal to the excess, if any, of the aggregate Fair Market Value of the Class B Common Stock subject to such Stock Options at the time of such termination or cancellation over the aggregate exercise price of such Stock Options; or (iv) advance the dates upon which all Outstanding Stock Options, Stock Appreciation Rights and Restricted Shares vest;

(b) With respect to Phantom Shares granted pursuant to Article IV hereof, the Committee shall take one of the following actions, the choice of which being in its sole discretion, unless, in the case of any Participant, the Participant agrees otherwise: (i) cause the surviving entity or new owner, as the case may be, to agree to adopt the Plan and to maintain it, with respect to all Outstanding Phantom Shares under the Plan as of the date of the Reorganization Event, in accordance with the terms in effect as of the date of the Reorganization Event, and to agree to adopt the related Agreements and to continue in effect their respective terms as such terms were in effect as of the date of the Reorganization Event, except that (A) the Plan and related Agreements may be modified to utilize the stock of such surviving entity or new owner, in lieu of the Class B Common Stock, to measure the Value of the Phantom Shares, if equitable adjustments are made to reflect the relative values of such stock immediately prior to the occurrence of the Reorganization Event or (B) if the Class B Common Stock continues to be utilized to measure the Value of the Phantom Shares, equitable adjustments are to be made to reflect the relative values of such stock immediately prior to and following the Reorganization Event, if appropriate; or (ii) determine the Appreciation Value of the Phantom Shares by reference to the consideration to be paid for the Class B Common Stock in such Reorganization Event, and modify the Plan and the related Agreements, if appropriate, to provide that when and if the Participant is entitled to a payment under the provisions of the Plan and related Agreement (including, without limitation, the provisions regarding vesting, payment, limitation on payment and employment requirements) as they were in effect prior to the proposal of the Reorganization Event, such payment shall be computed on the basis of such Appreciation Value as so determined.

Notwithstanding the provisions of Sections 5.1(a) and 5.1(b) above, in the event that the effect of the provisions contained therein should become a material impediment, either from a financial point of view or otherwise, to the consummation of a proposed Reorganization Event, the Committee may take such action as it deems equitable and appropriate to provide each Participant with a benefit equivalent to that which he would have been entitled had such event not occurred. Further, for the purposes of the first sentence of this Section 5.1, no event or series of events involving National Amusements, Inc., the Company or any of their respective subsidiaries or affiliates shall be deemed to be a Reorganization Event unless such event or series of events results in there being no class of equity

securities of the Company which is publicly traded. Any action taken by the Committee may be made conditional upon the consummation of the applicable Reorganization Event. Further, in the event that a division or subsidiary of the Company is acquired by another corporation, person, or entity, the Company is reorganized, dissolved or liquidated, an event or series of events involving a corporate restructuring not described in the first sentence of this Section occurs, or the Board shall propose that the Company enter into any such transaction, event or series of events, then the Committee will take such action, if any, as it, in its sole discretion, deems equitable or appropriate to provide each Participant with a benefit equivalent to that which he would have been entitled had such event not occurred.

Section 5.2 Dilution and Other Adjustments.

In the event of a stock dividend or split, issuance or repurchase of stock or securities convertible into or exchangeable for shares of stock, grants of options, warrants or rights (other than pursuant to the Plan) to purchase stock, recapitalization, combination, exchange or similar change affecting the Class B Common Stock, the Committee shall, in its discretion, make any or all of the following adjustments to provide each Participant with a benefit equivalent to that which he would have been entitled had such event not occurred: (i) adjust the number of shares of Class B Common Stock subject to any Stock Options or Stock Appreciation Rights or the number of Restricted Shares or Phantom Shares granted to each Participant, (ii) adjust the exercise price of the shares of Class B Common Stock subject to such Stock Options or Stock Appreciation Rights or the Initial Value of such Phantom Shares, and (iii) make any other adjustments, or take such action, as the Committee, in its discretion, deems appropriate. Such adjustments shall be conclusive and binding for all purposes. In the event of a change in the Class B Common Stock which is limited to a change in the designation thereof to "Capital Stock" or other similar designation, or to a change in the par value thereof, or from par value to no par value, without increase or decrease in the number of issued shares, the shares resulting from any such change shall be deemed to be Class B Common Stock within the meaning of the Plan.

ARTICLE VI

MISCELLANEOUS

Section 6.1 No Rights to Grants or Continued Employment.

No employee shall have any claim or right to receive Grants under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained by the Company or any of its subsidiaries.

Section 6.2 Restriction on Transfer.

The rights of a Participant with respect to Stock Options, Stock Appreciation Rights, Restricted Shares or Phantom Shares shall not be transferable by the Participant to whom such Stock Options, Stock Appreciation Rights, Restricted Shares or Phantom Shares are granted, otherwise than by will or the laws of descent and distribution.

Section 6.3 Tax Withholding.

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 Beneficiary any Federal, state or local 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, that a Participant pay an additional amount in cash equal to the amount of any Federal, state or local taxes owed by the Participant as a result of such exercise.

Section 6.4 Stockholder Rights.

No Grant under the Plan shall entitle a Participant or Beneficiary to any rights of a holder of shares of Class B Common Stock, except as provided in Article III with respect to Restricted Shares or upon the delivery of share certificates to a Participant upon exercise of a Stock Option or upon the delivery of share certificates in settlement of a Stock Appreciation Right.

Section 6.5 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, recapitalization, reorganization 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 6.6 Source of Payments.

The general funds of the Company shall be the sole source of cash settlements of Stock Appreciation Rights 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 person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

ARTICLE VII

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; provided, however, that any amendment which must be approved by the stockholders of the Company in order to maintain the continued qualification of the Plan under Rule 16b-3 under the Exchange Act shall not be effective unless and until such stockholder approval has been obtained in compliance with such rule. 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 or Phantom Shares covered by such Grant. Unless previously terminated pursuant to this Article VII, 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 VIII

INTERPRETATION

Section 8.1 Governmental Regulations.

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

Section 8.2 Headings.

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

Section 8.3 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 IX

EFFECTIVE DATE AND STOCKHOLDER APPROVAL

The Plan shall be effective as of May 26, 1994 (the "Effective Date") 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 thereunder shall be void ab initio and of no effect. No Stock Option or Stock Appreciation Right shall be exercisable, no Restricted Share shall vest and no Appreciation Value shall be paid with respect to a Phantom Share until the date of such stockholder approval.

STOCK PURCHASE AGREEMENT

dated as of February 16, 1997

between

VIACOM INTERNATIONAL INC.

and

EVERGREEN MEDIA CORPORATION OF
LOS ANGELES

TABLE OF CONTENTS

Section	Page
ARTICLE I.....	2
DEFINITIONS.....	2
1.01 Certain Defined Terms.....	2
1.02 Other Defined Terms.....	7
1.03 Terms Generally.....	9
ARTICLE II.....	9
PURCHASE AND SALE.....	9
2.01 Purchase and Sale of the Shares.....	9
2.02 Purchase Price.....	9
2.03 Closing.....	9
2.04 Closing Deliveries by Seller.....	9
2.05 Closing Deliveries by Purchaser.....	10
2.06 Purchase Price Adjustment.....	10
2.07 Interest Amount.....	12
2.08 Payments and Computations.....	12
ARTICLE III.....	12
REPRESENTATIONS AND WARRANTIES OF SELLER.....	12
3.01 Incorporation and Authority of Seller.....	13
3.02 Incorporation and Qualification of Each Company.....	13
3.03 Capital Stock of the Companies.....	13
3.04 No Conflict.....	13
3.05 Consents and Approvals.....	14
3.06 Financial Information.....	14
3.07 Absence of Undisclosed Liabilities.....	15
3.08 Absence of Certain Changes or Events.....	15
3.09 Absence of Litigation.....	16
3.10 Compliance with Laws.....	16
3.11 Licenses and Permits.....	16
3.12 The Assets.....	17
3.13 Real Property.....	17
3.14 Employee Benefit Matters.....	17
3.15 Taxes.....	18
3.16 Brokers.....	19
3.17 Environmental Compliance.....	19
3.18 EXCLUSIVITY OF REPRESENTATIONS.....	19

ARTICLE IV.....	19
REPRESENTATIONS AND WARRANTIES OF PURCHASER.....	19
4.01 Incorporation and Authority of Purchaser.....	20
4.02 No Conflict.....	20
4.03 Consents and Approvals.....	20
4.04 Absence of Litigation.....	20
4.05 Securities Matters.....	21
4.06 FCC Qualification.....	21
4.07 Brokers.....	22
4.08 EXCLUSIVITY OF REPRESENTATIONS.....	22
ARTICLE V.....	22
ADDITIONAL AGREEMENTS.....	22
5.01 Conduct of Business Prior to the Closing.....	22
5.02 Access to Information.....	24
5.03 Confidentiality.....	25
5.04 Regulatory and Other Authorizations; Consents.....	25
5.05 Intercompany Accounts.....	26
5.06 Insurance.....	26
5.07 Financial Statements.....	27
5.08 Notification.....	27
5.09 No Other Bids.....	27
5.10 Environmental Audit.....	28
5.11 Further Action.....	28
ARTICLE VI.....	28
EMPLOYEE MATTERS.....	28
6.01 Employees.....	28
6.02 INTENTIONALLY OMITTED.....	30
6.03 Retirement Plan.....	30
6.04 Indemnity.....	30
6.05 No Third Party Beneficiaries.....	31
ARTICLE VII.....	31
TAX MATTERS.....	31
7.01 Tax Indemnities.....	31
7.02 Refunds and Tax Benefits.....	32
7.03 Contests.....	33
7.04 Preparation of Tax Returns.....	34
7.05 Section 338(h)(10) Election.....	34
7.06 Cooperation and Exchange of Information.....	35
7.07 Conveyance Taxes.....	35
7.08 Miscellaneous.....	35

ARTICLE VIII.....	36
CONDITIONS TO CLOSING.....	36
8.01 Conditions to Obligations of Seller.....	36
8.02 Conditions to Obligations of Purchaser.....	37
ARTICLE IX.....	38
TERMINATION, AMENDMENT AND WAIVER.....	38
9.01 Termination.....	38
9.02 Termination is Nonexclusive Remedy.....	39
9.03 Waiver.....	40
ARTICLE X.....	40
INDEMNIFICATION.....	40
10.01 Indemnification by Purchaser.....	40
10.02 Indemnification by Seller.....	41
10.03 Notification of Claims.....	42
10.04 Exclusive Remedies.....	43
ARTICLE XI.....	43
GENERAL PROVISIONS.....	43
11.01 Survival.....	43
11.02 Expenses.....	43
11.03 Notices.....	43
11.04 Public Announcements.....	44
11.05 Non-Solicitation.....	44
11.06 Headings.....	44
11.07 Severability.....	44
11.08 Entire Agreement.....	45
11.09 Successors and Assigns.....	45
11.10 No Recourse.....	45
11.11 No Third-Party Beneficiaries.....	45
11.12 Amendment.....	46
11.13 Sections and Schedules.....	46
11.14 Governing Law.....	46
11.15 Counterparts.....	46
11.16 No Presumption.....	46
11.17 Specific Performance.....	46

STOCK PURCHASE AGREEMENT, dated as of February 16, 1997, between VIACOM INTERNATIONAL INC., a Delaware corporation ("Seller"), and EVERGREEN MEDIA CORPORATION OF LOS ANGELES, a Delaware corporation ("Purchaser").

W I T N E S S E T H :

WHEREAS, Seller owns all of the issued and outstanding shares of capital stock of each of the companies listed in Schedule 1 and each company listed in such Schedule owns and operates the radio broadcast station or stations set forth opposite its name in such Schedule;

WHEREAS, the Shares (as hereinafter defined) constitute all of the issued and outstanding shares of capital stock of each of the Companies (as hereinafter defined);

WHEREAS, the Companies operate all of the radio broadcast stations owned directly or indirectly by Seller (the "Stations") and serving the radio broadcast markets in New York, NY (the "NY Market"), Los Angeles, CA (the "LA Market"), Washington, D.C. (the "D.C. Market"), Chicago, IL (the "Chicago Market") and Detroit, MI (the Detroit Market") (individually a "Market" and collectively, the "Markets"), in each case as reflected in Schedule 1;

WHEREAS, simultaneously with the execution and delivery of this Agreement, Purchaser has delivered to Seller a deposit (the "Deposit") in an amount equal to 10% of the Base Price (as hereinafter defined);

WHEREAS, Purchaser has informed Seller that Purchaser and certain of its Affiliates (as hereinafter defined) intend to consummate a business combination (the "Purchaser Merger") with Chancellor Broadcasting Company, a Delaware company, and certain of its Affiliates; and

WHEREAS, Seller now wishes to sell to Purchaser, and Purchaser now wishes to purchase from Seller, the Shares upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, Purchaser and Seller hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Accounting Firm" means (a) an independent certified public accounting firm in the United States of national recognition (other than a firm which then serves as the independent auditor for Seller, or Purchaser or any of their respective Affiliates) mutually acceptable to Seller and Purchaser or (b) if Seller and Purchaser are unable to agree upon such a firm, then the regular independent auditors for Seller and Purchaser shall mutually agree upon a third independent certified public accounting firm, in which event, "Accounting Firm" shall mean such third firm.

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

"Affiliate" means, with respect to any specified Person, any other Person who or which, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified Person; provided, however, that for purposes of this definition and except as used in Section 5.02(b), Affiliates of Seller shall be limited to Viacom and its direct and indirect Subsidiaries.

"Agreement" means this Agreement, including the Disclosure Schedule, all exhibits and schedules hereto, all documents, certificates and instruments delivered pursuant hereto and all amendments hereto made in accordance with Section 11.12.

"Assets" means all of the assets, properties and rights of every type and description, real, personal and mixed, tangible and intangible, that are owned, leased or licensed by each of the Companies and are used exclusively or held for use exclusively in the conduct of the Business on the date hereof, including the following:

- (i) the goodwill relating exclusively to the Business;
- (ii) all the Owned Real Property and all rights in respect of the Leased Real Property;
- (iii) all furniture, fixtures, equipment, machinery and other tangible personal property;
- (iv) all vehicles;
- (v) all receivables;

(vi) all books of account, general, financial, tax and personnel records, invoices, supplier lists, correspondence and other documents, records and files and all computer software and programs and any rights thereto;

(vii) all intellectual property;

(viii) all claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind (including rights to insurance proceeds and rights under and pursuant to all warranties, representations and guarantees made by suppliers of products, materials or equipment, or components thereof);

(ix) all sales and promotional literature, customer lists and other sales-related materials;

(x) all rights under all contracts, licenses, sublicenses, agreements, leases, commitments, and sales and purchase orders, and under all commitments, bids and offers (to the extent such offers are transferable);

(xi) all of the FCC Licenses;

(xii) all municipal, state and federal franchises, permits, licenses, agreements, waivers and authorizations, to the extent transferable; and

(xiii) all of each Company's right, title and interest in and to all other assets, rights and claims of every kind and nature used exclusively or held for use exclusively in the operation of the Business.

"Base Price" means One Billion Seventy-Five Million Dollars (\$1,075,000,000), which is the aggregate purchase price for all of the Companies being acquired by Purchaser hereunder.

"Business" means the business of operating the Stations, considered as a single enterprise, as conducted on the date hereof.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the City of New York.

"Cash" means the aggregate of all cash, cash equivalents and bank accounts owned by each of the Companies from time to time from the date hereof to the Closing Date.

"Closing Working Capital" means Working Capital as of the close of business on the day immediately preceding the Closing Date, as reflected on the Final WC Statement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Communications Act" means the Communications Act of 1934, as amended.

"Companies" means WAXQ Inc. and Riverside Broadcasting Co., Inc. in the NY Market, KYSR Inc. and KIBB Inc. in the LA Market, Viacom Broadcasting East Inc. and WMZQ Inc. in the D.C. Market, WLIT Inc. in the Chicago Market and WDRQ Inc. in the Detroit Market, each of which is a Delaware corporation.

"Control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The term "Controlled" shall have a correlative meaning.

"Disclosure Schedule" means the Disclosure Schedule attached as Schedule 1.01 hereto.

"Environmental Laws" means any applicable federal, state or local law, rule or regulation relating to the environment, natural resources, or public health and safety.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"FCC" means the Federal Communications Commission and any successor thereto.

"FCC Consent" means the FCC's initial grant of its consent to the transfer of the FCC Licenses to Purchaser pursuant to this Agreement.

"FCC Licenses" means all of the licenses, permits and authorizations granted and issued from time to time by the FCC to each of the Companies to operate their respective Station or Stations as currently operated.

"Final Order" means the FCC Consent to the extent not reversed, stayed, enjoined, set aside, annulled or suspended, and with respect to which no timely request for stay, petition for rehearing, or appeal is pending, and as to which the time for filing any such request, petition or appeal or reconsideration by the FCC on its own motion has expired.

"Governmental Authority" means any United States federal, state or local or any foreign government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"Interest Amount" means, as of any date of determination, the aggregate amount of interest accrued on the Base Price (less the amount of the Deposit) pursuant to Section 2.07 as of such date of determination.

"Interest Payment Date" means the earlier of the (i) Closing Date and (ii) the fifth Business Day following the date of the termination, if any, of this Agreement pursuant to Section 9.01 (other than clause (a) thereof).

"Interest Rate" means 8% per annum.

"IRS" means the Internal Revenue Service.

"knowledge of Seller " or "Seller's knowledge" means the actual knowledge of Mr. William Figenshu, President, Viacom Radio, and Mr. Kevin Reymond, Senior Vice President and Chief Financial Officer, Viacom Radio, in each case without specific investigation.

"Law" means any federal, state, local or foreign statute, law, ordinance, regulation, rule, code, order, other requirement or rule of law.

"liabilities" means all liabilities or obligations, with respect to the Business, Assets or Stations, whether direct or indirect, matured or unmatured or absolute, contingent or otherwise.

"Lien" means any mortgage, deed or trust, pledge, hypothecation, security interest, encumbrance, claim, lien, lease (including any capitalized lease) or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting any assets or property, including any agreement to give or grant any of the foregoing, any conditional sale or other title retention agreement and the filing of or agreement to give any financing statement with respect to any assets or property under the Uniform Commercial Code of any state or comparable Law of any U.S. jurisdiction.

"Material Adverse Effect" means a material adverse effect on the Assets, taken as a whole, or on the results of operations or the condition (financial or

otherwise) of the Stations, considered as a single enterprise; provided, however, that any material adverse effect arising out of or resulting from an event or series of events or circumstances affecting (i) the radio broadcast industry generally or (ii) the Market or Markets in which any of the Stations operate, shall not constitute a Material Adverse Effect.

"Permitted Liens" means the following Liens: (a) Liens for Taxes, assessments or other governmental charges or levies not yet due; (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanic, material and other Liens imposed by Law and on a basis consistent with past practice for amounts not yet due; (c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of the Business and on a basis consistent with past practice in connection with worker's compensation, unemployment insurance or other types of social security; (d) minor defects of title, easements, rights-of-way, restrictions and other similar charges or encumbrances with respect to any parcel of Owned Real Property not materially detracting from the value of such Owned Real Property or interfering with the current use of such Owned Real Property or interfering with the ordinary conduct of the Business; (e) Liens not created by Seller or any of the Companies which affect the underlying fee interest of any Leased Real Property; (f) Liens incurred in the ordinary course of the Business and on a basis consistent with past practice securing liabilities which are not individually or in the aggregate material; (g) any state of facts an accurate survey would show, provided such facts do not render title unmarketable or materially interfere with the present use of the Owned Real Property; and (h) other Liens that, individually or in the aggregate, would not have a Material Adverse Effect.

"Person" means any natural person, general or limited partnership, corporation, limited liability company, firm, association or other legal entity.

"Purchase Price" means the sum of (i) the Base Price, plus (ii) the Interest Amount, if any, and (iii) either (a) if Estimated Closing Working Capital is positive, plus the amount of Estimated Closing Working Capital, or (b) if Estimated Closing Working Capital is negative, less the amount of Estimated Closing Working Capital.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller's Account" means the account of Seller maintained by Seller with Chase Manhattan Bank, N.A. at its office at One Chase Manhattan Plaza, New York, NY, Account No. XXX-X-XXXXXX, ABA No. XXXXXXXXX.

"Shares" means all of the issued and outstanding shares of capital stock of each of the Companies.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50%

of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or Controlled by such Person.

"Tax" or "Taxes" means all income, excise, gross receipts, ad valorem, sales, use, employment, franchise, profits, gains, property, transfer, use, payroll, intangibles or other taxes, fees, stamp taxes, duties, charges, levies or assessments of any kind whatsoever (whether payable directly or by withholding), together with any interest and any penalties, additions to tax or additional amounts imposed by any Tax authority with respect thereto.

"Tax Returns" means all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

"Viacom" means Viacom Inc., a Delaware corporation, the parent of Seller.

"Working Capital" means, for all Markets, on a combined basis, as of any date of determination, (a) the sum of (i) Cash, (ii) receivables and (iii) prepaid expenses minus (b) the sum of (i) accounts payable and (ii) accrued expenses, in each case as of such date, calculated in the same manner and using the same methods, as the line items on the Reference Balance Sheet(s).

SECTION 1.02. Other Defined Terms. The following terms have the meanings defined for such terms in the Sections set forth below:

Term -----	Section -----
Acquisition Proposal	5.09
Allocations	7.05(b)
Chicago Market	Recitals
Closing	2.03
Closing Date	2.03
COBRA	6.03(c)
Confidentiality Agreement	5.03
Contest	7.03(b)
Continuation Period	6.01(d)
D.C. Market	Recitals
Deposit	Recitals
Deposit Delivery Time	2.02

Detroit Market	Recitals
Election	7.05(a)
Environmental Assessments	5.10
Estimated Closing Working Capital	2.06(a)
Filing	5.02(b)
Final WC Statement	2.06(a)
Financial Statements	3.06
Forms	7.05(a)
Indemnified Party	10.03(a)
Indemnifying Party	10.03(a)
Initial WC Statement	2.06(a)
KIBB Assets	Article III
LA Market	Recitals
Leased Real Property	3.13
Losses	10.01(a)
MADSP	7.05(b)
Market	Recitals
Markets	Recitals
Multiemployer Plan	3.14(b)
Multiple Employer Plan	3.14(b)
Notice of Disagreement	2.06(a)
NY Market	Recitals
Outside Date	9.01(b)
Owned Real Property	3.13
Post-Closing Date Tax Benefit	7.02(b)
Purchaser	Preamble
Purchaser Assignee	11.09
Purchaser Indemnified Parties	10.02(a)
Purchaser's DC Plan	6.03(b)
Purchaser Merger	Recitals
Reference Balance Sheet(s)	3.06
Securities Acts	5.02(b)
Seller	Preamble
Seller Indemnified Parties	10.01(a)
Stations	Recitals
Station Employees	6.01(a)
Sublease	2.04(d)
Submitted Notice of Disagreement	2.06(a)
Submitted WC Statement	2.06(a)
Surviving Entity	11.09
Supplemental Financial Statements	5.07
Transferred Employees	6.01(b)
Viacom ERISA Plan	3.14(a)
Viacom Plans	3.14(a)
VIP	3.14(d)

VPP

3.14(d)

SECTION 1.03. Terms Generally. (a) Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires, (b) the term "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement, and Article, Section, paragraph, Exhibit and Schedule references are to the Articles, Sections, paragraphs, Exhibits and Schedules to this Agreement unless otherwise specified, (c) the word "including" and words of similar import when used in this Agreement means "including, without limitation," unless otherwise specified, and (d) the word "or" shall not be exclusive.

ARTICLE II

PURCHASE AND SALE

SECTION 2.01. Purchase and Sale of the Shares. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, the Shares.

SECTION 2.02. Purchase Price. Subject to the adjustments set forth in Section 2.06, Purchaser shall pay the Purchase Price in cash to Seller as follows: (i) the Deposit, which will be delivered to Seller's Account by wire transfer in immediately available funds no later than 3:00 P.M. (New York City time) on the second Business Day immediately succeeding the date hereof (the "Deposit Delivery Time") and (ii) the balance of the Purchase Price at the Closing as provided in Section 2.05(a).

SECTION 2.03. Closing. Subject to the terms and conditions of this Agreement, the sale and purchase of the Shares contemplated hereby shall take place at a closing (the "Closing") to be held at 10:00 A.M. (New York City time) on the fifth Business Day following the later to occur of (i) the expiration or termination of the applicable waiting periods under the HSR Act and (ii) the satisfaction or waiver of the other conditions to the obligations of the parties set forth in Article VIII, at the offices of Seller, 1515 Broadway, New York, New York, or at such other time or on such other date or at such other place as Seller and Purchaser may mutually agree upon in writing (the day on which the Closing takes place being the "Closing Date").

SECTION 2.04. Closing Deliveries by Seller. At the Closing, Seller shall deliver or cause to be delivered to Purchaser:

(a) stock certificates evidencing the Shares, duly endorsed in blank or accompanied by stock powers duly executed in blank, with all required stock transfer tax stamps affixed;

(b) a receipt for the Purchase Price;

(c) the certificates and other documents required to be delivered pursuant to Section 8.02; and

(d) the sublease described on Schedule 3.13(b) (the "Sublease") duly executed by Seller.

SECTION 2.05. Closing Deliveries by Purchaser. At the Closing, Purchaser shall deliver to Seller :

(a) the balance of the Purchase Price after the application of the Deposit thereto, by wire transfer in immediately available funds to Seller's Account;

(b) the certificates and other documents required to be delivered pursuant to Section 8.01; and

(c) the Sublease duly executed by Purchaser.

All deliveries under Sections 2.04 and 2.05 shall occur simultaneously.

SECTION 2.06. Purchase Price Adjustment. (a) No less than two Business Days prior to the Closing Date, Seller shall deliver a notice to Purchaser which sets forth Seller's good faith estimate of Working Capital as of the close of business on the day immediately preceding the Closing Date (the "Estimated Closing Working Capital"). Within 30 days after the Closing Date, Purchaser shall prepare and deliver to Seller a statement setting forth Working Capital as of the close of business on the day immediately preceding the Closing Date (the "Initial WC Statement"). During the 30 days immediately following Seller's receipt of the Initial WC Statement, Seller will be permitted to review Purchaser's working papers relating to the Initial WC Statement, all of Purchaser's and each Company's books and records with respect thereto and such other books and records of Purchaser and each Company as Seller may reasonably request in connection with such review. The Initial WC Statement shall become final and binding upon the parties (and shall thereupon become the Final WC Statement) on the 31st day following receipt thereof by Seller, unless Seller shall provide a written notice (the "Notice of Disagreement") of its disagreement with the Initial WC Statement to Purchaser prior to such date. Any Notice of Disagreement shall specify in reasonable detail the nature of any disagreement so asserted. If a timely Notice of Disagreement is received by Purchaser, then the Initial WC Statement (as revised in accordance with clause (x) or (y) below) shall become final and binding upon

the parties, and shall thereupon become the "Final WC Statement", on the earlier of (x) the date on which the parties hereto resolve in writing any differences they have with respect to any matter specified in the Notice of Disagreement, and agree upon a Final WC Statement, or (y) the date on which the Accounting Firm finally resolves in writing any matters with respect to the Initial WC Statement that are properly in dispute by providing each of the parties hereto with a Final WC Statement. During the 30 days immediately following the delivery of a Notice of Disagreement, Seller and Purchaser shall seek in good faith to resolve in writing (and thereby agree on a Final WC Statement) any differences which they may have with respect to any matter specified in the Notice of Disagreement. During such period, Purchaser shall have access to the working papers of Seller prepared in connection with Seller's preparation of the Notice of Disagreement. At the end of such 30-day period, Seller and Purchaser shall submit to the Accounting Firm for review and resolution any and all matters which remain in dispute and which were properly included in the Notice of Disagreement (the Initial WC Statement, as it may be modified by Purchaser prior to submission to the Accounting Firm, being the "Submitted WC Statement", and the Notice of Disagreement, as it may be modified by Seller prior to submission to the Accounting Firm, being the "Submitted Notice of Disagreement"), and, within 30 days of its receipt of the Submitted Notice of Disagreement, the Accounting Firm shall make a final determination, binding on the parties hereto, of Working Capital as of the close of business on the day immediately preceding the Closing Date. Purchaser and Seller shall share equally the cost of the Accounting Firm's review and determination.

(b) (i) If Closing Working Capital exceeds Estimated Closing Working Capital, then Purchaser shall pay to Seller an amount equal to such excess or (ii) if Estimated Closing Working Capital exceeds Closing Working Capital, then Seller shall pay to Purchaser an amount equal to such excess, in either case within 10 Business Days after the Final WC Statement becomes final and binding on the parties hereto, together with interest thereon from the Closing Date to the date of payment at the rate of interest publicly announced by Citibank, N.A. in New York, New York from time to time as its base rate. If Closing Working Capital is equal to Estimated Closing Working Capital, then neither Purchaser nor Seller shall owe any amount to the other party pursuant to this Section 2.06.

(c) Purchaser agrees that following the Closing through the date that payment, if any, is made pursuant to Section 2.06(b), it will not, and will cause the Companies not to, take any actions with respect to any accounting books, records, policy or procedure on which the Initial WC Statement is to be based that are inconsistent with past practices of Seller or that would make it impossible or impracticable to calculate Working Capital in the manner utilizing the methods required hereby. Without limiting the generality of the foregoing, no changes shall be made in any reserve or other account existing as of the date of the Reference Balance Sheet(s) except as a result of events occurring after the date of the Reference Balance Sheet(s) and, in such event, only in a manner consistent with the past practices of Seller.

SECTION 2.07. Interest Amount. If the Closing shall not have occurred on or prior to the 120th day following the date hereof for any reason other than as a result of Seller's failure to comply in all material respects with its covenants and agreements hereunder or the material inaccuracy of the representations and warranties made by Seller herein, then interest shall commence to accrue on the Base Price (less the amount of the Deposit) at the Interest Rate from such date through the Interest Payment Date. Purchaser shall pay the Interest Amount to Seller on the Interest Payment Date.

SECTION 2.08. Payments and Computations. Each party shall make each payment due to the other party hereunder as soon as practicable on the day when due in U.S. dollars, in the case of payments to Seller at Seller's Account or as otherwise directed by Seller, and in the case of payments to Purchaser as directed by Purchaser in writing, by wire transfer in immediately available funds. All computations of interest shall be made by the party entitled to receive payment on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Each determination by the party to which interest is to be paid pursuant to the terms of this Agreement of an interest rate or any amount of interest due hereunder shall be conclusive and binding for all purposes, absent manifest error. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Purchaser understands and acknowledges that as of the date of this Agreement such of the Assets as are used or held for use exclusively in the operation of the radio broadcast station identified by the call letters KIBB-FM (the "KIBB Assets") and serving the Los Angeles Market, are held directly by Viacom. Seller hereby represents and warrants to Purchaser that KIBB Inc. is a recently-formed Delaware corporation that, other than for its organization, has undertaken no operations and conducted no business as of the date hereof. Purchaser further understands and Seller hereby covenants and agrees that prior to the Closing, Viacom shall contribute the KIBB Assets to Seller which will then contribute such assets to KIBB Inc. Accordingly, the references to "each Company", "any of the Companies", the "Companies", any "Company" or any comparable phrase or reference contained in Sections 3.11, 3.12 or 3.13, to the extent the representations and warranties set forth in such Sections are made as of the date hereof and solely to the extent referring to or including KIBB Inc., shall be deemed to include Viacom. The immediately preceding sentence shall not apply to the representations and warranties set forth in Sections

3.11, 3.12 or 3.13 when made as of the Closing Date. Seller represents and warrants to Purchaser as follows:

SECTION 3.01. Incorporation and Authority of Seller . Seller is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all necessary corporate power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Seller, the performance by Seller of its obligations hereunder and the consummation by Seller of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and (assuming due authorization, execution and delivery by Purchaser) this Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject, as to enforceability, to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or similar Laws affecting creditors' rights generally and to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

SECTION 3.02. Incorporation and Qualification of Each Company. Each Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to own or lease and operate its respective Assets. Each Company is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or leased and operated or the nature of its activities makes such qualification necessary, except for where the failure to be so qualified would not have a Material Adverse Effect.

SECTION 3.03. Capital Stock of the Companies. The Shares constitute all the authorized, issued and outstanding shares of capital stock of the Companies. The Shares have been duly authorized and validly issued and are fully paid and nonassessable and were not issued in violation of any pre-emptive rights. There are no options, warrants or rights of conversion or other rights, agreements, arrangements or commitments relating to the capital stock of any Company obligating such Company to issue or sell any of its shares of capital stock. Seller owns the Shares, free and clear of all Liens except for Permitted Liens specified in clause (a) of the definition of Permitted Liens and any Liens arising out of, under or in connection with this Agreement or through Purchaser. There are no voting trusts, stockholder agreements, proxies or other agreements in effect with respect to the voting or transfer of the Shares. None of the Companies owns, directly or indirectly, any shares of any corporation or any ownership or other investment interest, either of record, beneficially or equitably, in any association, partnership, joint venture or other legal entity.

SECTION 3.04. No Conflict. Assuming all consents, approvals, authorizations and other actions described in Section 3.05 have been obtained and all

filings and notifications listed in Section 3.05 of the Disclosure Schedule have been made, and except as may result from any facts or circumstances relating solely to Purchaser or as described in Section 3.04 of the Disclosure Schedule, the execution, delivery and performance of this Agreement by Seller do not and will not (a) violate or conflict with the Certificate of Incorporation or By-laws of Seller or any Company, (b) conflict with or violate any Law or Governmental Order applicable to Seller or any Company, except as would not, individually or in the aggregate, have a Material Adverse Effect or prohibit Seller from consummating the purchase and sale of the Shares as contemplated hereby or (c) result in any breach of, or constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien on any Shares or on any of the Assets pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument to which Seller or any Company is a party or by which any of the Shares or, to the knowledge of Seller, the Assets are bound or affected, except as would not, individually or in the aggregate, have a Material Adverse Effect or prohibit Seller from consummating the purchase and sale of the Shares as contemplated hereby.

SECTION 3.05. Consents and Approvals. The execution and delivery of this Agreement by Seller does not, and the performance of this Agreement by Seller will not, require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or other Person except (a) as described in Section 3.05 of the Disclosure Schedule, (b) the notification requirements of the HSR Act, (c) for consents required from the FCC prior to the Closing and those notices to be filed with the FCC after the Closing, (d) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prohibit Seller from consummating the purchase and sale of the Shares as contemplated hereby, (e) as would not have a Material Adverse Effect and (f) as may be necessary as a result of any facts or circumstances relating solely to Purchaser or its Affiliates.

SECTION 3.06. Financial Information. The unaudited balance sheet relating to all of the Stations, on a combined basis, in each Market as at December 31, 1996 (collectively for all of the Markets, the "Reference Balance Sheet(s)") and the related unaudited statement of income of all such Stations, on a combined basis, in each such Market for the fiscal year then ended (collectively, the "Financial Statements"), all of which are included in Exhibit 3.06 hereto, fairly present, in all material respects, the financial condition and results of operations of all such Stations, on a combined basis, in each such Market at such date, or for the period covered thereby, and were prepared on a basis consistent with the past practices of Seller for purposes of inclusion in the consolidated financial statements of Viacom and, except as disclosed in Section 3.06(a) of the Disclosure Schedule, were prepared in accordance with generally accepted accounting principles.

SECTION 3.07. Absence of Undisclosed Liabilities. As of the Closing Date, there shall be no liability of any Company except liabilities (i) disclosed in Section 3.07(a) of the Disclosure Schedule or otherwise included in the Disclosure Schedule or addressed by or referred to in any of the representations, warranties, covenants or agreements made by Seller in this Agreement, (ii) as, and to the extent, reflected or reserved against in the Reference Balance Sheet(s), (iii) covered by insurance, indemnification, contribution or comparable arrangements, the benefits of which will be available to Purchaser or the Companies after the Closing, (iv) with respect to the matters addressed in Sections 3.14 and 3.15 and Articles VI and VII (which shall be governed solely by the terms of such Sections and Articles), (v) incurred in the ordinary course of the Business after the date hereof and prior to the Closing and (vi) liabilities which would not individually or in the aggregate have a Material Adverse Effect.

SECTION 3.08. Absence of Certain Changes or Events. (a) Since the date of the Reference Balance Sheet(s) or such other date as specified below, except as disclosed in Section 3.08 of the Disclosure Schedule, the Business has been conducted in the ordinary course and consistent with past practice.

(b) Since the date of the Reference Balance Sheet(s) and, except as set forth in Section 3.08 of the Disclosure Schedule or as contemplated by this Agreement or in the ordinary course of the Business, there has not been:

(i) a Material Adverse Effect;

(ii) the creation of any Lien on the Assets or the Shares, other than, in the case of the Shares, Permitted Liens specified in clause (a) of the definition of Permitted Liens;

(iii) any establishment or material increase in any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including any grant of any stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plans, or other material increase in the compensation payable or to become payable to any officer or key employee of any of the Stations by Seller or by any Company, except, in any case described above, as may be required by Law, existing contracts or applicable collective bargaining agreements;

(iv) any employment or severance agreement providing for annual compensation or severance payments in excess of \$100,000 entered into by Seller or by any Company with any of the Station Employees;

(v) any sale, assignment, transfer, lease or other disposition or agreement to sell, assign, transfer, lease or otherwise dispose of any of the Assets having an aggregate replacement value exceeding \$100,000;

(vi) by any Company, (A) any acquisition (by merger, consolidation, acquisition of stock or assets or otherwise) of any corporation, partnership or other business organization or division thereof or interest therein or (B) any incurrence of any indebtedness for borrowed money (other than to Seller on arm's-length terms) or issuance of any debt securities or assumption, grant, guarantee or endorsement, or other accommodation or arrangement making any Company responsible for, the obligations of any Person or any distributions of cash (other than by one or more of the Companies to Seller) or any loans or advances other than to Seller on arm's-length terms;

(vii) any material change in any method of accounting or accounting practice used by any Company.

SECTION 3.09. Absence of Litigation. Except as set forth in Section 3.09 of the Disclosure Schedule, there are no Actions pending, or to Seller's knowledge threatened in writing, against Seller or any Company, or to which any of the Shares or Assets are subject, before any Governmental Authority that, individually or in the aggregate, would have a Material Adverse Effect or would prohibit Seller from consummating the purchase and sale of the Shares as contemplated hereby.

SECTION 3.10. Compliance with Laws. Except as set forth in Section 3.10 of the Disclosure Schedule, to the knowledge of Seller, neither Seller nor any Company is in material violation of any Law or Governmental Order applicable to the Business, Shares or any material Asset, or by which any of them is bound.

SECTION 3.11. Licenses and Permits. Each Company holds and is in material compliance with all FCC Licenses necessary to operate as currently operated each of the Stations set forth opposite such Company's name on Schedule 1 as a radio broadcast station with the power disclosed in Section 3.11 of the Disclosure Schedule. Except as set forth in Section 3.11 of the Disclosure Schedule, no governmental qualifications, registrations, filings, privileges, franchises, licenses, permits, approvals or authorizations other than the FCC Licenses are required to operate each of the Stations as a radio broadcast station in substantially the same manner as each such Station is being operated as of the date hereof, other than those that the failure to hold or obtain would not, individually or in the aggregate, have a material adverse effect on the results of operations or financial condition of any Station. Except as set forth in Section 3.11 of the Disclosure Schedule, no application, action or proceeding is pending for the renewal or modification of any of the FCC Licenses, and, except for actions or proceedings affecting radio broadcast stations generally, no application, complaint, action or proceeding is pending, or to Seller's knowledge threatened in writing, that would reasonably be expected to result in (i) the denial of an application for renewal of any of the FCC Licenses, (ii) the revocation, modification, nonrenewal or suspension of any of the FCC Licenses, (iii) the issuance of a cease-and-desist order with respect to any of the FCC Licenses or (iv) the imposition of any material

administrative or judicial sanction with respect to Seller, any Company or any Station. To Seller's knowledge, there is no fact or circumstance relating to Seller, the Companies or any of Seller's Affiliates that would cause the FCC to deny the FCC application for assignment of the FCC Licenses as provided in this Agreement. No waiver of any FCC rule or policy is necessary to be obtained by Seller, any Company or any of Seller's Affiliates for the grant of the FCC application for assignment of the FCC Licenses as provided in this Agreement, nor will processing pursuant to any exception to a rule of general applicability be requested or required in connection with the consummation by Seller of the transactions contemplated hereby except in each case for facts or circumstances not related to Seller, the Companies or any of Seller's Affiliates.

SECTION 3.12. The Assets. (a) Except as set forth in Section 3.12(a) of the Disclosure Schedule, the Assets include all of the assets, properties and rights of every type and description, real, personal and mixed, tangible and intangible, that are owned, leased or licensed by any of the Companies and are used exclusively or held for use exclusively in the operation of the Business as of the date hereof. All of the tangible Assets material to the operation of any Station are in good operating condition and repair, subject to normal wear and maintenance, except to the extent the failure to be in such condition or repair would not result in a Material Adverse Effect. The Assets constitute all of the assets necessary for the continued operation of the Business in substantially the same manner as conducted on the date of this Agreement.

(b) The Companies hold, and at the Closing will hold, good title to or have valid leasehold interests in all of their respective Assets (other than the Owned Real Property and Leased Real Property as to which the provisions of Section 3.13 apply), free and clear of any and all Liens, except (i) as disclosed in Section 3.12(b) of the Disclosure Schedule, (ii) for Permitted Liens and (iii) for Liens created by or through Purchaser or any of its Affiliates.

SECTION 3.13. Real Property. Each parcel of real property, including those properties set forth in Sections 3.13(a) (which lists material real property owned by each Company, the "Owned Real Property") and 3.13(b) (which lists material real property leased by each Company, the "Leased Real Property") of the Disclosure Schedule, owned or leased by any Company is, and at the Closing will be, owned in fee simple or held pursuant to a valid leasehold estate, free and clear of all Liens, except (i) as disclosed in Section 3.13(a) or in Section 3.13(b), as the case may be, of the Disclosure Schedule, (ii) for Permitted Liens and (iii) for Liens created by or through Purchaser or any of its Affiliates.

SECTION 3.14. Employee Benefit Matters. (a) Section 3.14 of the Disclosure Schedule contains a true and complete list of all employee benefit plans (within the meaning of Section 3(3) of ERISA, hereafter "Viacom ERISA Plan") and all bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, supplemental retirement, severance or other benefit plans, programs or

arrangements (collectively, the "Viacom Plans") with respect to which Seller or any Company has any obligation or which are maintained, contributed to or sponsored by Viacom, Seller or any Company for the benefit of any current employee, officer or director of Seller or any Company or any former employee of Seller or any Company who was previously employed in the Business, other than plans, programs, arrangements, contracts or agreements for which no benefits are payable after the Closing. Except as disclosed in Section 3.14 of the Disclosure Schedule, each Viacom ERISA Plan is in writing and Seller has previously made available to Purchaser a true and complete copy of each Viacom ERISA Plan and a true and complete copy of each of the following documents, to the extent applicable, prepared in connection with each such Viacom Plan: (i) a copy of each trust or other funding arrangement, (ii) the most recently filed IRS Form 5500 and (iii) the most recently received IRS determination letter.

(b) Except as otherwise disclosed in Section 3.14 of the Disclosure Schedule, none of the Viacom ERISA Plans (i) is a multiemployer plan, within the meaning of Section 3(37) or 4001(a)(3) of ERISA (a "Multiemployer Plan"), or a single employer pension plan, within the meaning of Section 4001(a)(15) of ERISA, for which Seller could incur liability under Section 4063 or 4064 of ERISA (a "Multiple Employer Plan"), or (ii) provides or promises to provide retiree medical or life insurance benefits.

(c) With respect to each Viacom ERISA Plan, neither Seller nor any Company is currently liable for any material tax arising under Section 4971, 4972, 4975, 4979, 4980 or 4980B of the Code. Seller has not incurred any material liability under, arising out of or by operation of Title IV of ERISA (other than liability for premiums to the Pension Benefit Guaranty Corporation arising in the ordinary course), including any liability in connection with (i) the termination or reorganization of any employee pension benefit plan subject to Title IV of ERISA or (ii) the withdrawal from any Multiemployer Plan or Multiple Employer Plan.

(d) The Viacom Pension Plan (the "VPP") and the Viacom Investment Plan (the "VIP") which are intended to be qualified under Section 401(a) of the Code have received favorable determination letters from the IRS that such plans are so qualified, and the related trusts which are intended to be exempt from federal income tax pursuant to Section 501(a) of the Code have received determination letters from the IRS that such trusts are so exempt.

(e) Seller and the Companies have complied with their obligations under the collective bargaining agreements disclosed in Section 3.14 of the Disclosure Schedule, except for any failure to comply that would not result in a Material Adverse Effect.

SECTION 3.15. Taxes. Except as set forth in Section 3.15 of the Disclosure Schedule, (a) each Company has timely filed or been included in, or will timely file or be included in, all material Tax Returns required to be filed by it or in

which it is to be included with respect to Taxes for any period ending on or before the Closing Date, (b) all material Taxes which are due with respect to each Company have been paid except to the extent such Taxes are being contested in good faith, (c) no deficiency for any material amount of Tax has been asserted or assessed by a Tax authority against any Company or for which any Company may be liable, (d) there are no judicial proceedings with respect to material Taxes due from any Company; and (e) there is no contract, agreement, plan or arrangement covering any Person that, individually or collectively, could give rise to the payment of any amount that would not be deductible by any Company by reason of Section 280G of the Internal Revenue Code of 1986, as amended.

SECTION 3.16. Brokers. Except for Credit Suisse First Boston Corporation, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller or any Company. Seller is solely responsible for the fees and expenses of Credit Suisse First Boston Corporation.

SECTION 3.17. Environmental Compliance. Except as set forth in Section 3.17 of the Disclosure Schedule or as would not result in a Material Adverse Effect, (i) Seller and each Company is in compliance with all Environmental Laws and (ii) there are no judicial or administrative actions, proceedings or investigations pending or, to the knowledge of Seller, threatened in writing against Seller or any Company or any real property owned, operated or leased by any Company alleging the violation of or seeking to impose liability pursuant to any Environmental Law.

SECTION 3.18. EXCLUSIVITY OF REPRESENTATIONS. THE REPRESENTATIONS AND WARRANTIES MADE BY SELLER IN THIS AGREEMENT ARE IN LIEU OF AND ARE EXCLUSIVE OF ALL OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES. SELLER HEREBY DISCLAIMS ANY SUCH OTHER OR IMPLIED REPRESENTATIONS OR WARRANTIES, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO PURCHASER OR ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION (INCLUDING, WITHOUT LIMITATION, ANY FINANCIAL PROJECTIONS OR OTHER SUPPLEMENTAL DATA).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

SECTION 4.01. Incorporation and Authority of Purchaser. Purchaser is a corporation duly incorporated, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization and has all necessary corporate power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Purchaser, the performance by Purchaser of its obligations hereunder and the consummation by Purchaser of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser and (assuming due authorization, execution and delivery by Seller) constitutes the legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms, subject, as to enforceability, to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or similar Laws affecting creditors' rights generally and to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

SECTION 4.02. No Conflict. Except as may result from any facts or circumstances relating solely to Seller, the execution, delivery and performance of this Agreement by Purchaser do not and will not (a) violate or conflict with the Certificate of Incorporation or By-laws (or other similar applicable documents) of Purchaser, (b) conflict with or violate any Law or Governmental Order applicable to Purchaser or (c) result in any breach of, or constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien on any of the assets or properties of Purchaser pursuant to, any material note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument relating to such assets or properties to which Purchaser is a party or by which any of such assets or properties is bound or affected, except as would not, individually or in the aggregate, prohibit Purchaser from consummating the purchase and sale of the Shares as contemplated hereby.

SECTION 4.03. Consents and Approvals. The execution and delivery of this Agreement by Purchaser do not, and the performance of this Agreement by Purchaser will not, require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or other Person, except (a) as described in a writing delivered to Seller by Purchaser on the date hereof, (b) the notification requirements of the HSR Act, (c) for consents required from the FCC prior to the Closing and those notices to be filed with the FCC after the Closing, (d) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prohibit Purchaser from consummating the purchase and sale of the Shares as contemplated hereby and (e) as may be necessary as a result of any facts or circumstances relating solely to Seller or its Affiliates.

SECTION 4.04. Absence of Litigation. There are no Actions pending against Purchaser before any Governmental Authority that, individually or in the

aggregate, would prohibit Purchaser from consummating the purchase and sale of the Shares as contemplated hereby.

SECTION 4.05. Securities Matters. (a) Purchaser understands that (i) the offering and sale of the Shares hereunder is intended to be exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof and (ii) there is no existing public or other market for the Shares and there can be no assurance that such a market will exist or that Purchaser will be able to sell or dispose of the Shares.

(b) The Shares are being acquired by Purchaser for its own account and without a view to the public distribution of the Shares or any interest therein.

(c) Purchaser is an "accredited investor" as such term is defined in Regulation D promulgated under the Securities Act.

(d) Purchaser is not a broker-dealer subject to Regulation T promulgated by the Board of Governors of the Federal Reserve System.

(e) Purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Shares, and Purchaser is capable of bearing the economic risks of such investment, including a complete loss of its investment in the Shares.

(f) In evaluating the suitability of an investment in the Shares, Purchaser has relied solely upon the representations, warranties, covenants and agreements made by Seller herein and Purchaser has not relied upon any other representations or other information (whether oral or written and including any estimates, projections or supplemental data) made or supplied by or on behalf of Seller or any Affiliate, employee, agent or other representative of Seller other than as contemplated by this Section 4.05.

(g) Purchaser understands and agrees that it may not sell or dispose of any of the Shares other than pursuant to a registered offering or in a transaction exempt from the registration requirements of the Securities Act.

SECTION 4.06. FCC Qualification. Except as set forth on Schedule 4.06, Purchaser is legally, technically, financially and otherwise qualified under the Communications Act and all rules, regulations and policies of the FCC to acquire the FCC Licenses and own and operate each of the Stations. Except as set forth on Schedule 4.06, and except for proceedings of general applicability to the radio industry, there are no proceedings pending or, to the knowledge of Purchaser, threatened in writing, or facts, which could reasonably be expected to disqualify Purchaser under the Communications Act or otherwise from acquiring the FCC Licenses or owning and operating each of the Stations or would cause the FCC not to approve the assignment

of the FCC Licenses to Purchaser. Except as set forth on Schedule 4.06, there is no fact or circumstance relating to Purchaser or any of its Affiliates that could (i) cause the FCC to deny the FCC application for assignment of the FCC Licenses as provided for in this Agreement or (ii) delay processing of the FCC application for the assignment of the FCC Licenses as provided for in this Agreement because the FCC is considering whether acts or omissions of Purchaser or any of its Affiliates warrant admonishing Purchaser or any of its Affiliates, or imposing a fine, forfeiture, or other penalty against Purchaser or any of its Affiliates. Except as set forth on Schedule 4.06, no waiver of any FCC rule or policy is necessary to be obtained by Purchaser and/or its Affiliates for the grant of the FCC application for assignment of the FCC Licenses as provided for in this Agreement, nor will processing pursuant to any exception to a rule of general applicability be requested or required in connection with the consummation by Purchaser of the transactions contemplated hereby.

SECTION 4.07. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

SECTION 4.08. EXCLUSIVITY OF REPRESENTATIONS. THE REPRESENTATIONS AND WARRANTIES MADE BY PURCHASER IN THIS AGREEMENT ARE IN LIEU OF AND ARE EXCLUSIVE OF ALL OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES. PURCHASER HEREBY DISCLAIMS ANY SUCH OTHER OR IMPLIED REPRESENTATIONS OR WARRANTIES, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO SELLER OR ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION.

ARTICLE V

ADDITIONAL AGREEMENTS

SECTION 5.01. Conduct of Business Prior to the Closing. (a) Between the date hereof and the Closing Date, Purchaser shall not directly or indirectly control, supervise or direct, or attempt to control, supervise or direct, the operation of the Business or any Station. Such operation, including complete control and supervision of all programs, employees and policies of the Business and each Station shall be the sole responsibility of Seller and the Companies. Neither title nor right to possession of the Shares, the Business or any Station shall pass to Purchaser until the Closing, but Purchaser shall, however, be entitled to reasonable inspection of each Station and the Assets (upon reasonable prior notice and approval of Seller, which shall not be unreasonably withheld) during normal business hours with the purpose that an uninterrupted and efficient transfer thereof may be accomplished.

(b) Unless Purchaser otherwise agrees in writing and except as otherwise set forth herein or in the Disclosure Schedule, between the date of this Agreement and the Closing Date, Seller shall, and shall cause each Company to, (i) conduct the Business only in the ordinary course consistent with past practice, (ii) use commercially reasonable efforts to preserve substantially intact the organization of the Business, (iii) use commercially reasonable efforts to keep available to Purchaser the services of the key employees and on-air talent of each Station, (iv) use commercially reasonable efforts to preserve the current relationships of each Station with its customers, suppliers, distributors and other Persons with which such Station has significant business relationships and (v) pay and discharge all material liabilities of the Companies and the Stations substantially in accordance with their terms (other than liabilities being contested in good faith and for which appropriate reserves are established in the books and records of the appropriate Company).

(c) Except as expressly provided in this Agreement, including, without limitation, the contribution by Viacom of the KIBB Assets to Seller and the subsequent contribution of such assets by Seller to KIBB Inc., between the date of this Agreement and the Closing Date, Seller shall not, and shall not permit any Company to, do any of the following without the prior written consent of Purchaser (which consent shall not be unreasonably withheld):

(i) grant any Lien on any material Asset, other than Permitted Liens or incur any liabilities other than, in either such case, in the ordinary course of the Business consistent with past practice;

(ii) establish or materially increase any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including the granting of stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plan, or otherwise materially increase the compensation payable to or to become payable to any officers or key employees and on-air talent of any Station by Seller or any Company, except in any case described above, in the ordinary course of the Business consistent with past practice or as may be required by Law, existing contracts or applicable collective bargaining agreements;

(iii) enter into any material employment or severance agreement providing for annual compensation or severance payments in excess of \$100,000 with any of the Station Employees;

(iv) except (A) in the ordinary course of the Business and (B) cash dividends by any Company to Seller, sell, assign, transfer, lease or otherwise dispose of any of the Assets having an aggregate replacement value exceeding \$100,000;

(v) solely in the case of each of the Companies, (A) acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof or interest therein or (B) incur any indebtedness for borrowed money (other than to Seller on terms no more advantageous to Seller than could be procured by the Companies at arm's length) or issue any debt securities or assume, grant, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any Person, or make any loans, advances or distributions of cash (other than by one or more of the Companies to Seller);

(vi) except in accordance with Law or changes required by U.S. generally accepted accounting principles, materially change any method of accounting or accounting practice used by any Company;

(vii) issue or sell any additional shares of the capital stock of, or other equity interests in, any Company or securities convertible into or exchangeable for such shares or equity interests, or issue or grant any options, warrants, calls, subscription rights or other rights of any kind to acquire additional shares of such capital stock, such other equity interests, or such securities;

(viii) amend the Certificate of Incorporation or By-laws of any Company; or

(ix) agree to do any of the foregoing.

SECTION 5.02. Access to Information. (a) From the date hereof until the Closing, upon reasonable notice, Seller shall, and shall cause the officers, directors, employees, auditors and agents of each Company to (i) afford the officers, employees and agents and representatives of Purchaser reasonable access, during normal business hours, to the offices, properties, books and records of each Station and (ii) furnish to the officers, employees and authorized agents and representatives of Purchaser such additional financial and operating data and other information regarding the Business and the Assets as Purchaser may from time to time reasonably request; provided, however, that such investigation shall not unreasonably interfere with the Business or any of the businesses or operations of Seller or any Affiliate of Seller, any Company or any Station.

(b) Seller shall, and shall cause its officers, employees and representatives to, cooperate in all reasonable respects with the efforts of Purchaser and Purchaser's independent auditors to prepare such audited and interim unaudited financial statements of the Stations and/or the Companies as Purchaser may reasonably determine are necessary to satisfy the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 (the "Securities Acts") applicable to Purchaser and its Affiliates. Without limiting the foregoing, Seller shall execute and deliver to Purchaser's independent auditors such customary management

representation letters as the auditors may reasonably require as a condition to such auditors' ability to deliver a report upon the audited financial statements of the Stations and/or the Companies for the periods for which such financial statements are required under the Securities Acts; provided, however, under no circumstance shall Seller or any such officer, employee or representative have any liability whatsoever (other than as expressly provided in this Agreement) to Purchaser, Purchaser's independent auditors or otherwise to any Person or Governmental Authority, including, without limitation, under the Securities Acts as a result of providing such management representation letters and Purchaser shall indemnify and hold Seller and each such Person harmless against any and all such liability. Seller hereby consents to the inclusion of the audited and interim financial statements referred to in this Section 5.02(b) in any registration statement or report (each a "Filing") filed by Seller under the Securities Acts as registrant under such Filing and hereby waives such provisions of the Confidentiality Agreement as are necessary solely to permit such public disclosure.

SECTION 5.03. Confidentiality. (a) Except as provided in Section 5.02(b), the terms of the letter agreement dated as of November 22, 1996 (the "Confidentiality Agreement") between Seller and Purchaser are hereby incorporated herein by reference and shall continue in full force and effect until the Closing, at which time the Confidentiality Agreement and the obligations of Purchaser under this Section 5.03 shall terminate; provided, however, that the Confidentiality Agreement shall terminate only in respect of that portion of the Evaluation Material (as defined in the Confidentiality Agreement) exclusively relating to the transactions contemplated by this Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall nonetheless continue in full force and effect.

(b) Except as Seller in its sole discretion may determine to be required by applicable law, rule or regulation or by any stock exchange rule, after the Closing, Seller agrees to keep confidential all material non-public information with respect to the Stations and all material non-public information obtained by it with respect to Purchaser in connection with this Agreement and the negotiations preceding this Agreement. Notwithstanding the foregoing, Seller shall not be required to keep confidential or return any information which (a) is known by it through other lawful sources not, to the knowledge of Seller, subject to a confidentiality agreement with the disclosing party, (b) is or becomes publicly known through no breach of a confidentiality obligation owed by Seller or its agents or (c) is developed by Seller independently of any disclosure by Purchaser.

SECTION 5.04. Regulatory and Other Authorizations; Consents. (a) Each party hereto shall use its reasonable best efforts to obtain all authorizations, consents, orders and approvals of all Governmental Authorities that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and will cooperate fully with the other party in promptly seeking to obtain all such authorizations, consents, orders and approvals. With respect to Purchaser, the foregoing obligation to use reasonable best efforts shall be

deemed to include, without limitation, the obligation to divest such radio station or stations in such radio broadcast market or markets as may be required by the FCC or any other Governmental Authority or as may be necessary in order to secure all required approvals of the FCC or any other Governmental Authority. Except for the Purchaser Merger, the parties hereto will not take any action that would have the effect of delaying, impairing or impeding the receipt of any required approval.

(b) Seller and Purchaser shall prepare and file with the FCC as soon as practicable, but in no event later than five Business Days after the execution of this Agreement, the requisite applications and other necessary instruments or documents requesting the FCC Consent. After the aforesaid applications and documents have been filed with the FCC, Seller and Purchaser shall prosecute such applications with all reasonable diligence to obtain the requisite FCC Consent; provided, however, except as provided in the following sentence, that neither Seller nor Purchaser shall be required to pay consideration to any third party to obtain the FCC Consent. Purchaser shall pay all FCC filing fees relating to the Transaction.

(c) Each party hereto agrees to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the transactions contemplated hereby within 10 Business Days after the date hereof and to supply promptly any additional information and documentary material that may be requested pursuant to the HSR Act. Purchaser shall bear all filing fees associated with both its and Seller's HSR filings.

(d) Each party hereto agrees to cooperate in obtaining any other consents and approvals which may be required in connection with the transactions contemplated by this Agreement; provided, however, that Seller in cooperation with Purchaser shall use its commercially reasonable efforts to obtain each consent identified in Section 3.05 of the Disclosure Schedule prior to the Closing Date. Notwithstanding the foregoing, neither Seller nor Purchaser shall be required to pay consideration to any third party to obtain any such consent or approval.

SECTION 5.05. Intercompany Accounts. Immediately prior to the Closing, Seller will contribute to the capital of each Company all amounts then owing from such Company to Seller and Seller's Affiliates, and each Company will forgive all amounts then owing from Seller and its Affiliates to such Company, and all of such debts shall be cancelled. Any tax sharing or tax allocation or other similar contract shall be cancelled with respect to each Company as of the Closing Date, and no Company shall have any further obligations or liability under any such tax sharing or tax allocation agreement or other similar contract.

SECTION 5.06. Insurance. (a) Effective 12:01 A.M. on the Closing Date, each Company and the Assets shall cease to be insured by Seller's or its Affiliates' insurance policies. With respect to insurance coverage written on an "occurrence basis," Seller and its Affiliates will have no liability for occurrences which take place on

and after 12:01 A.M. on the Closing Date. With respect to insurance coverage written on a "claims made basis," Seller and its Affiliates will have no liability for claims made after 12:01 A.M. on the Closing Date. Purchaser agrees to indemnify and hold harmless Seller and its Affiliates in respect to any liability, claim, damage or expense of any kind whatsoever, which Seller and its Affiliates might incur arising out of or relating to any occurrences, losses or claims arising after 12:01 A.M. on the Closing Date.

(b) From and after the Closing Date, neither Seller nor any of its Affiliates shall have any liability for self-insured workers' compensation claims with respect to the Transferred Employees in existence on the Closing Date or arising from any event or circumstance taking place or existing prior to, on or subsequent to the Closing Date. Purchaser shall take all steps necessary under any applicable Law to assume the liability for self-insured workers' compensation pursuant to this Section 5.06 and shall fully indemnify Seller and its Affiliates with respect to any liability, claim, damage or expense of any kind whatsoever arising out of or relating to any workers' compensation claim assumed by Purchaser hereunder. Purchaser shall cooperate with Seller and its Affiliates in order to obtain the return or release of bonds or securities or indemnifications given by Seller or any of its Affiliates to any state in connection with workers' compensation self-insurance with respect to the Station Employees; and, in order to effectuate such return or release, Purchaser shall, to the extent required by any state, post its own bonds, letters of credit, indemnifications or other securities in substitution therefor.

SECTION 5.07. Financial Statements. Within 30 days of the end of each month, Seller shall use commercially reasonable efforts to deliver to Purchaser an unaudited income statement and a balance sheet of all the Stations, on a combined basis in each Market for the month then ended (collectively, the "Supplemental Financial Statements"). The Supplemental Financial Statements shall be prepared on a basis consistent with past practices regarding the preparation of internal monthly financial statements.

SECTION 5.08. Notification. Seller shall notify Purchaser, and Purchaser shall notify Seller, of any litigation, arbitration or administrative proceeding pending or, to Seller's knowledge, threatened in writing against Seller or any Company, on one hand, or Purchaser, on the other hand, which challenges the transactions contemplated hereby or the Purchaser Merger. Purchaser shall keep Seller informed and shall consult with Seller concerning the status, scope and nature of Purchaser's efforts to comply with its covenant in Section 5.04, and regarding the status of the Purchaser Merger.

SECTION 5.09. No Other Bids. From and after the date hereof, neither Seller nor any of Seller's Affiliates shall, nor shall it permit any of the Companies to, nor shall it authorize or permit any officer, director or employee of, or any investment banker, attorney or other advisor or representative of Seller, any of the Companies or any of Seller's Affiliates to, directly or indirectly, (a) solicit, initiate or encourage the

submission of any Acquisition Proposal (as hereinafter defined) or (b) participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes an Acquisition Proposal. For purposes of this Agreement, "Acquisition Proposal" means any proposal with respect to a merger, consolidation, share exchange or similar transaction or business combination involving any Company, or any proposal or offer to acquire in any manner a substantial equity interest in any Company or any proposal or offer to purchase of all or any significant portion of the Assets, other than the transactions contemplated hereby.

SECTION 5.10. Environmental Audit. Within 60 days of the date of this Agreement, Purchaser may, at its sole cost and expense, perform Phase I environmental assessments (the "Environmental Assessments") of the parcels of the Owned Real Property and/or Leased Real Property designated by Purchaser and the improvements thereon and shall deliver to Seller a report prepared by an environmental consulting firm designated by Purchaser and reasonably acceptable to Seller summarizing the results of the Environmental Assessments. In the event that such report indicates that any material remediation is necessary in order to cause the Companies and the Assets to comply with any Environmental Law, Seller shall, at Seller's cost and expense, cause such remediation to be completed in all material respects.

SECTION 5.11. Further Action. Each of the parties hereto shall execute and deliver such documents and other papers and take such further actions as may be reasonably required to carry out the provisions of this Agreement and give effect to the transactions contemplated hereby.

ARTICLE VI

EMPLOYEE MATTERS

SECTION 6.01. Employees. (a) Set forth in Section 6.01(a) of the Disclosure Schedule is a true and complete list showing the names and current annual salary rates of all of the employees and on-air talent of each Station as of the date hereof (all such employees and on-air talent together being the "Station Employees"), which includes for such employees the amounts paid or payable as a base salary and lists any other compensation arrangements for such employees for 1996, including bonuses or other compensation arrangements. The Station Employees constitute all of the on-air talent and personnel working at the Stations (whether full-time or part-time) or otherwise involved in the operations of the Stations.

(b) Purchaser shall furnish to Seller at the earliest practicable date but no later than 10 days prior to Closing a list of the Station Employees which Purchaser desires Seller to terminate prior to Closing. Seller shall indemnify and hold harmless Purchaser from and against all costs and liabilities resulting from the termination of

such Station Employees, except that Seller shall have no obligation with respect to, and Purchaser shall indemnify and hold harmless Seller and Seller's Affiliates from and against, all costs and liabilities resulting from any termination requested by Purchaser pursuant to this Section 6.01(b) which violates of any federal, state or local law, rule or regulation or any collective bargaining agreement. For the purposes hereof, those Station Employees who remain as employees of the Companies following the Closing Date are hereinafter referred to collectively as the "Transferred Employees".

(c) Purchaser agrees (i) subject to the rights of the affected Transferred Employees regarding representation, to recognize the unions listed in Section 3.14 of the Disclosure Schedule as the sole and exclusive collective bargaining agents for the affected Transferred Employees and (ii) to be bound by, and to comply in all respects with, the terms and conditions of the collective bargaining agreements listed in Section 3.14 of the Disclosure Schedule applicable to Transferred Employees.

(d) For the one-year period commencing on the Closing Date (the "Continuation Period"), Purchaser agrees to provide (i) those Transferred Employees whose employment is governed by the terms of a collective bargaining agreement with such employee benefits as are required by the terms of such collective bargaining agreement and (ii) all other Transferred Employees with employee benefits that in the aggregate are substantially equivalent in value as, and no less favorable in value than, those provided to such Transferred Employees immediately prior to the Closing. Notwithstanding anything to the contrary herein, Purchaser shall not have any obligation to provide any equity, equity-based or similar compensation or benefit to any Transferred Employee with respect to the equity of Purchaser or any Company, and no equity or equity-based compensation or benefits provided to Transferred Employees immediately prior to the Closing shall be taken into account for purposes of this Section 6.01(d) in determining substantial equivalence.

(e) To the extent that service is relevant for eligibility, vesting, benefit accrual, benefit contributions, benefit calculations or allowances (including entitlements to vacation and sick days) under any employee benefit plan, program or arrangement established or maintained by Purchaser or any Company for the benefit of Transferred Employees, such plan, program or arrangement shall credit such Transferred Employees for service on or prior to the Closing with Seller or any Affiliate thereof; provided, however, that Purchaser shall not be obligated to give credit for such service to the extent it (i) would result in duplication of any benefits to which a Transferred Employee is entitled to under any comparable plans, programs or arrangements maintained by Seller or any of its Affiliates on or prior to the Closing Date or by Purchaser after the Closing Date or (ii) was not a service which was recognized for purposes of such comparable plans, programs or arrangements. In addition, Purchaser shall waive any pre-existing conditions and recognize for purposes of annual deductible and out-of-pocket limits under its medical and dental plans, claims of Transferred Employees incurred during the year in which the Closing Date occurs and prior to the Closing Date.

SECTION 6.02. INTENTIONALLY OMITTED.

SECTION 6.03. Retirement Plan. (a) As soon as practicable after the Closing, Seller shall prepare and deliver to Purchaser a schedule listing the Transferred Employees who were participants in the VPP and the VIP as of the Closing. Seller shall cause all Transferred Employees to be paid such benefits under the terms of the VPP and VIP, and Purchaser shall not have any responsibility with respect thereto. Purchaser shall cooperate with Seller to provide such current information regarding Transferred Employees on an ongoing basis as may be necessary to facilitate payment of benefits to such Transferred Employees from the VPP and VIP.

(b) Purchaser agrees that it shall designate a defined contribution plan ("Purchaser's DC Plan") that will accept a direct rollover, within the meaning of Section 401(a)(31) of the Code, of the account balances of Transferred Employees in the VIP, including any loan obligation that a Transferred Employee may have in his or her account in the VIP. To the extent that a Transferred Employee transfers a loan obligation to Purchaser's DC Plan, Purchaser's DC Plan shall continue to accept repayments of such loan amounts and shall otherwise administer such loans in accordance with their terms and the terms of ERISA until such loan amounts are repaid or are foreclosed upon.

(c) Purchaser shall provide continuation health care coverage to all Transferred Employees and their qualified beneficiaries who incur a qualifying event on and after the Closing in accordance with the continuation health care coverage requirements of Section 4980D of the Code and Sections 601 through 608 of ERISA ("COBRA"). Seller shall be responsible for providing continuation coverage to the extent required by law (i) to any Transferred Employee who incurs a "qualifying event" under COBRA on or before the Closing Date and (ii) to any employee who is not a Transferred Employee who incurs a "qualifying event" under COBRA on or before the Closing Date.

SECTION 6.04. Indemnity. Anything in this Agreement to the contrary notwithstanding (including Section 10.01), Purchaser hereby agrees to indemnify Seller and its Affiliates against and hold Seller and its Affiliates harmless from any and all claims, losses, damages, expenses, obligations and liabilities (including costs of collection, reasonable attorneys' fees and other costs of defense) arising out of or otherwise in respect of (i) any failure of Purchaser or any Company to comply with their obligations under any collective bargaining agreement applicable to Transferred Employees, (ii) any withdrawal liability attributable to a withdrawal as a result of or after the Closing assessed against Seller or any of its Affiliates in respect of any Multiemployer Plan listed in Section 3.14 of the Disclosure Schedule, (iii) any claim made by any Transferred Employee against Seller or any of its Affiliates for any severance or termination benefits pursuant to the provisions of any Viacom Plan which was disclosed in Section 3.14 of the Disclosure Schedule, (iv) any suit or claim of violation brought against Seller or any of its Affiliates under WARN for any actions taken by Purchaser or any Company on or after the Closing Date with respect to any

facility, site of employment, operating unit or Transferred Employee, and (v) any claim for payments of benefits by Transferred Employees or their beneficiaries with respect to their employment after the Closing.

SECTION 6.05. No Third Party Beneficiaries. Nothing in this Article VI or elsewhere in this Agreement shall be deemed to make any of the Station Employees third party beneficiaries of this Agreement.

ARTICLE VII

TAX MATTERS

SECTION 7.01. Tax Indemnities. (a) From and after the Closing Date, Seller shall indemnify Purchaser and each Company against all Taxes (i) imposed on Seller or any member of an affiliated group with which Seller files a consolidated or combined income Tax Return (other than the Companies) with respect to any taxable period that ends on or before the Closing Date or includes the Closing Date; (ii) imposed on any Company with respect to any taxable period or portion thereof that ends on or before the Closing Date, in excess of any amount reserved for Taxes on such Company's Financial Statements or (iii) arising as a result of the Election; provided, however, that no indemnity shall be provided under this Agreement for any Tax resulting from any transaction of any Company occurring on the Closing Date but after the Closing that is not in the ordinary course of the Business other than the Election.

(b) From and after the Closing Date, Purchaser and each Company shall, jointly and severally, indemnify Seller and its Affiliates against all Taxes imposed on or with respect to such Company that are not subject to indemnification pursuant to paragraph (a) of this Section 7.01, including Taxes resulting from any transaction of the Company occurring on the Closing Date but after the Closing that is not in the ordinary course of the Business.

(c) Payment by the indemnitor of any amount due under this Section 7.01 shall be made within 10 days following written notice by the indemnitee that payment of such amounts to the appropriate Tax authority is due, provided that the indemnitor shall not be required to make any payment earlier than two days before it is due to the appropriate Tax authority. In the case of a Tax that is contested in accordance with the provisions of Section 7.03, payment of the Tax to the appropriate Tax authority will not be considered to be due earlier than the date a final determination to such effect is made by such Tax authority or a court.

(d) For purposes of this Agreement, in the case of any Tax that is imposed on a periodic basis and is payable for a period that begins before the Closing Date and ends after the Closing Date, the portion of such Taxes payable for the period

ending on the Closing Date shall be (i) in the case of any Tax other than a Tax based upon or measured by income, the amount of such Tax for the entire period multiplied by a fraction, the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period and (ii) in the case of any Tax based upon or measured by income, the amount which would be payable if the taxable year ended on the Closing Date. Any credit shall be prorated based upon the fraction employed in clause (i) of the preceding sentence. In the case of any Tax based upon or measured by capital (including net worth or long-term debt) or intangibles, any amount thereof required to be allocated under this Section 7.01(d) shall be computed by reference to the level of such items on the Closing Date.

SECTION 7.02. Refunds and Tax Benefits. (a) Purchaser shall promptly pay to Seller any refund or credit (including any interest paid or credited with respect thereto) received by Purchaser or any Company of Taxes of any Company (i) relating to taxable periods or portions thereof ending on or before the Closing Date or (ii) attributable to an amount paid by Seller or any of its Affiliates under Section 7.01 hereof. Purchaser shall, if Seller so requests and at Seller's expense, cause the relevant entity to file for and obtain any refund to which Seller is entitled under this Section 7.02. Purchaser shall permit Seller to control (at Seller's expense) the prosecution of any such refund claimed, and shall cause the relevant entity to authorize by appropriate power of attorney such Persons as Seller shall designate to represent such entity with respect to such refund claimed. In the event that any refund or credit of Taxes for which a payment has been made pursuant to this Section 7.02(a) is subsequently reduced or disallowed, Seller shall indemnify and hold harmless the payor for any Tax liability, including interest and penalties, assessed against such payor by reason of the reduction or disallowance.

(b) Any amount otherwise payable by Seller under Section 7.01 shall be reduced by any Tax benefit to Purchaser or any Company for a period or portion thereof beginning after the Closing Date (a "Post-Closing Date Tax Benefit") that arose as a result of any underlying adjustment resulting in the obligation of Purchaser or such Company to pay Taxes for which Seller is responsible under Section 7.01 or the payment of such Taxes. If a payment is made by Seller in accordance with Section 7.01, and if in a subsequent taxable year a Post-Closing Date Tax Benefit is realized by Purchaser or any Company (that was not previously taken into account pursuant to the preceding sentence to reduce an amount otherwise payable by Seller under Section 7.01), Purchaser or such Company shall pay to Seller at the time of such realization the amount of such Post-Closing Date Tax Benefit to the extent that the Post-Closing Date Tax Benefit would have resulted in a reduction in the amount paid by Seller under Section 7.01 if the Post-Closing Date Tax Benefit had been obtained in the year of such payment. A Post-Closing Date Tax Benefit will be considered to be realized for purposes of this Section 7.02 at the time that it is actually utilized on a Tax Return which includes Purchaser or any Company.

(c) Neither Purchaser nor any Company shall carryback to any taxable period ending on or before the Closing Date any net operating loss, capital loss or tax credit incurred by any Company in any taxable period beginning after the Closing Date.

SECTION 7.03. Contests. (a) After the Closing, Purchaser shall promptly notify Seller in writing of the commencement of any Tax audit or administrative or judicial proceeding or of any demand or claim on Purchaser or any Company which, if determined adversely to the taxpayer or after the lapse of time, would be grounds for indemnification under Section 7.01. Such notice shall contain factual information (to the extent known) describing the asserted Tax liability in reasonable detail and shall include copies of any notice or other document received from any Tax authority in respect of any such asserted Tax liability. If Purchaser fails to give Seller prompt notice of an asserted Tax liability as required by this Section 7.03, then (a) if Seller is precluded by the failure to give prompt notice from contesting the asserted Tax liability in both the administrative and judicial forums, then Seller shall not have any obligation to indemnify for any loss arising out of such asserted Tax liability, and (b) if Seller is not so precluded from contesting but such failure to give prompt notice results in a detriment to Seller, then any amount which Seller is otherwise required to pay Purchaser pursuant to Section 7.01 with respect to such liability shall be reduced by the amount of such detriment.

(b) Seller may elect to direct, through counsel of its own choosing and at its own expense, any audit, claim for refund and administrative or judicial proceeding involving any asserted liability with respect to which indemnity may be sought under Section 7.01 (any such audit, claim for refund or proceeding relating to an asserted Tax liability is referred to herein as a "Contest"). If Seller elects to direct a Contest, it shall within 30 days of receipt of the notice of asserted Tax liability notify Purchaser of its intent to do so, and Purchaser shall cooperate and shall cause each Company to cooperate, at the expense of Seller, in each phase of such Contest. Seller shall keep Purchaser informed regarding the progress but not any substantive aspect of any Contest which Seller has elected to direct. If Seller elects not to direct the Contest, fails to notify Purchaser of its election as herein provided or contests its obligation to indemnify under Section 7.01, Purchaser or the relevant Company may pay, compromise or contest, at its own expense, such asserted liability. However, in such case, neither Purchaser nor such Company may settle or compromise any asserted liability over the objection of Seller; provided, however, that consent to settlement or compromise shall not be unreasonably withheld. In any event, Seller may participate, at its own expense, in the Contest. If Seller chooses to direct the Contest, Purchaser shall promptly empower and shall cause the relevant Company promptly to empower (by power of attorney and such other documentation as may be appropriate) such representatives of Seller as it may designate to represent Purchaser and such Company in the Contest insofar as the Contest involves an asserted Tax liability for which Seller would be liable under Section 7.01.

SECTION 7.04. Preparation of Tax Returns. Seller shall prepare and file U.S. federal, state and local income and franchise Tax Returns relating to each Company for any Tax period ending on or prior to the Closing Date and which are required to be filed after the Closing Date. The parties agree that if any Company is permitted, but not required, under applicable state or local income or franchise Tax Laws to treat the Closing Date as the last day of a Tax period, it will treat the Tax period as ending on the Closing Date. Seller shall prepare and file all other Tax Returns for any period ending on or prior to the Closing Date to the extent Seller or an Affiliate of Seller previously was responsible for the preparation and filing of such Tax Returns for the immediately preceding Tax period. All Tax Returns relating to any Company and prepared by Seller shall be prepared in a manner consistent with past practices, except as otherwise required by applicable law. Purchaser shall prepare and timely file, and shall cause each Company to prepare and timely file, all Tax Returns for which Seller is not responsible pursuant to this Section 7.04. Purchaser will deliver to Seller a complete and accurate copy of each Tax Return required to be filed by Purchaser or any Company under this Section 7.04 for Tax periods that include the Closing Date, and any amendment to such return, within 10 days of the date such Tax Return is filed with the appropriate Tax authority.

SECTION 7.05. Section 338(h)(10) Election. (a) At the option of Purchaser given in writing to Seller on or before the Closing Date, Seller and Purchaser shall jointly make the election provided for by Section 338(h)(10) of the Code and any corresponding elections under state, local or foreign Tax Law (the "Election") with respect to the Shares. Seller and Purchaser shall provide to the other all necessary information to permit the Election to be made. Seller and Purchaser shall, as promptly as practicable following the Closing Date, take all actions necessary and appropriate (including filing IRS Form 8023-A and other such forms, returns, elections, schedules, attachments, and other documents as may be required (the "Forms")) to effect and preserve a timely Election.

(b) In connection with the Election, Seller and Purchaser shall mutually (i) determine the amount of the modified aggregate deemed sales price ("MADSP") of the Shares (within the meaning of Treas. Reg. ss.1.338(h)(10)-1(f)) and (ii) the proper allocations of the MADSP among the Assets in accordance with Treas. Reg. ss.1.338(h)(10)-1. The allocations referred to in the preceding sentence are referred to herein as the "Allocations". Seller will calculate the gain or loss, if any, in a manner consistent with the Allocations and will not take any position inconsistent with the Allocations in any Tax Return or otherwise (subject to appropriate adjustments pursuant to Treas. Reg. ss.1.338(h)(10)-1(f)(4)). Purchaser will allocate the Purchase Price consistently with the Allocations and will not take any position inconsistent with the Allocations in any Tax Return or otherwise (subject to appropriate adjustments pursuant to Treas. Reg. ss.1.338(h)(10)-1(f)(4)).

(c) At least 120 days prior to the latest date for the filing of each Form, Seller, after consultation with Purchaser, shall prepare and submit to Purchaser a draft

of each Form. No party hereto shall file any Form unless it shall have obtained the consent of the other party hereto, which consent shall not be unreasonably withheld. On or prior to the 30th day after Purchaser's receipt of a draft Form, Purchaser shall deliver to Seller either (i) its consent to such filing or (ii) a written notice specifying in reasonable detail all disputed items and the basis therefor. If Purchaser and Seller have been unable to resolve their differences within 30 days after Seller's receipt of Purchaser's written notice of disputed items, any remaining disputed issues shall be submitted to the Accounting Firm to resolve in a final binding manner after hearing the views of both parties. The fees and expenses of the Accounting Firm pursuant to this Section 7.05 shall be shared equally between Seller and Purchaser.

SECTION 7.06. Cooperation and Exchange of Information. Seller and Purchaser shall, and they shall cause each Company to, provide each other with such cooperation and information as any of them reasonably may request of another in filing any Tax Return, amended return or claim for refund, determining a liability for Taxes or a right to a refund of Taxes or participating in or conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules and related work papers and documents relating to rulings or other determinations by Tax authorities. Each such party shall make its employees available on a mutually convenient basis to provide explanations of any documents or information provided hereunder. Each such party will retain all Tax Returns, schedules and work papers and all material records and other documents relating to Tax matters of any Company for its taxable period first ending after the Closing Date and for all prior taxable periods until the later of (i) the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other documents relate, without regard to extensions except to the extent notified by another party in writing of such extensions for the respective Tax periods, or (ii) eight years following the due date (without extension) for such Tax Returns. Any information obtained under this Section 7.06 shall be kept confidential, except as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting an audit or other proceeding.

SECTION 7.07. Conveyance Taxes. Purchaser agrees to assume liability for and to pay all sales, transfer, stamp, real property transfer or gains and similar Taxes incurred as a result of the sale of the Shares contemplated hereby. In addition, Purchaser agrees to indemnify Seller and its Affiliates for any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties (including attorneys' and consultants' fees and expenses) incurred by Seller and its Affiliates arising out of Purchaser's failure to make timely or full payments of such Taxes. Purchaser and Seller shall jointly prepare all Tax Returns relating to such Taxes.

SECTION 7.08. Miscellaneous. (a) The parties agree to treat all payments made under Article X or this Article VII (except payments made pursuant to Section 7.07) as adjustments to the Purchase Price for Tax purposes.

(b) Except as expressly provided otherwise and except for the representations contained in Section 3.15 of this Agreement, this Article VII shall be the sole provision governing Tax matters and indemnities therefor under this Agreement.

(c) For purposes of this Article VII, all references to Seller, Purchaser or a Company includes successors thereto.

ARTICLE VIII

CONDITIONS TO CLOSING

SECTION 8.01. Conditions to Obligations of Seller . The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations and Warranties; Covenants. (i) The representations and warranties of Purchaser contained in Article IV (A) that are qualified as to materiality, shall be true and correct and (B) that are not qualified as to materiality, shall be true and correct in all material respects, in each case as of the Closing, other than representations and warranties made as of another date, which representations and warranties shall have been true and correct, or true and correct in all material respects, as the case may be, as of such date; (ii) the obligations, covenants and agreements of Purchaser contained in this Agreement to be performed or complied with on or prior to the Closing Date (A) that are qualified as to materiality shall have been performed or complied with and (B) that are not qualified as to materiality shall have been performed or complied with in all material respects, in each case on or prior to the Closing Date, except that Purchaser shall have complied in all respects with its obligations under Article II hereof; and (iii) Seller shall have received a certificate to such effect signed by a duly authorized senior officer of Purchaser;

(b) Communications Act. The FCC Consent shall have been issued and shall contain no provision materially adverse to Seller;

(c) HSR Act. Any waiting period (and any extension thereof) under the HSR Act applicable to the purchase and sale of the Shares contemplated hereby shall have expired or shall have been terminated;

(d) No Governmental Order. There shall be no Governmental Order in existence which restrains or which materially and adversely affects the transactions contemplated by this Agreement or is likely to render it impossible or unlawful to consummate such transactions; and

(e) Resolutions. Seller shall have received a true and complete copy, certified by the Secretary or an Assistant Secretary of Purchaser, of the resolutions

duly and validly adopted by the Board of Directors of Purchaser evidencing its authorization of the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

SECTION 8.02. Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations and Warranties; Covenants. (i) The representations and warranties of Seller contained in this Agreement (A) that are qualified as to materiality, shall be true and correct and (B) that are not qualified as to materiality, shall be true and correct in all material respects, in each case as of the Closing, other than representations and warranties made as of another date, which representations and warranties shall have been true and correct, or true and correct in all material respects, as the case may be, as of such date; (ii) the obligations, covenants and agreements of Seller contained in this Agreement to be performed or complied with on or prior to the Closing Date (A) that are qualified as to materiality, shall have been performed or complied with and (B) that are not qualified as to materiality, shall have been performed or complied with in all material respects, in each case on or prior to the Closing Date; and (iii) Purchaser shall have received a certificate to such effect signed by a duly authorized senior officer of Seller;

(b) Communications Act. The FCC Consent shall have been issued and shall contain no provision materially adverse to Purchaser; provided, however, that Purchaser shall not be required to close before the FCC Consent has become a Final Order if a financing source from whom Purchaser is obtaining financing for the purpose of consummating the purchase and sale of the Shares as contemplated by this Agreement refuses, after Purchaser has used its good faith reasonable best efforts to persuade such financing source to close upon receipt of the FCC Consent, to consummate such financing arrangements until the FCC Consent has become a Final Order.

(c) HSR Act. Any waiting period (and any extension thereof) under the HSR Act applicable to the purchase and sale of the Shares contemplated hereby shall have expired or shall have been terminated;

(d) No Governmental Order. There shall be no Governmental Order in existence which restrains or which materially and adversely affects the transactions contemplated by this Agreement or is likely to render it impossible or unlawful to consummate such transactions;

(e) Resolutions. Purchaser shall have received a true and complete copy, certified by the Secretary or an Assistant Secretary of Seller, of the resolutions duly and validly adopted by the Board of Directors of Seller evidencing its authorization

of the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby;

(f) Leased Transmission Properties. Seller shall have obtained and delivered to Purchaser all material consents (in writing and signed by the applicable lessor) required in connection with the consummation of the transactions contemplated hereby with respect to any lease pursuant to which any Company leases a main transmission facility; and

(g) Indebtedness. Seller shall have satisfied in full all indebtedness for borrowed money of the Companies other than the current portion of such indebtedness that would reduce the Working Capital of the Companies as to the Closing Date.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

SECTION 9.01. Termination. This Agreement may be terminated at any time prior to the Closing as follows:

(a) by the mutual written consent of Seller and Purchaser;

(b) by either Seller or Purchaser, if the Closing shall not have occurred prior to the nine-month anniversary of the date hereof (the "Outside Date"); provided, however, that the right to terminate this Agreement under this Section 9.01(b) shall be suspended as to any party whose failure to fulfill any material obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date, until the 10th day after such failure has been cured; provided further, that subject to Purchaser's good faith obligation in Section 8.02(b) to seek to consummate the Closing following receipt of the FCC Consent but prior receipt of Final Order, the Outside Date shall be automatically extended by 60 days if the FCC shall have issued the FCC Consent on or before the Outside Date, but such FCC Consent shall not have become a Final Order.

(c) by Seller in the event that any representation or warranty of Purchaser made hereunder shall be materially inaccurate or breached or Purchaser shall have failed to comply with or satisfy, in all material respects, its covenants and agreements made hereunder; provided that written notice of such material inaccuracy, breach or failure shall have been given to Purchaser and Purchaser shall not have cured the same within 10 Business Days of receipt of such notice, except that Seller shall be entitled to terminate this Agreement and there shall be no cure period for any breach, whether or not material, for a failure by Purchaser to deliver the Purchase Price pursuant to Section 2.05;

(d) by Purchaser in the event that any representation or warranty of Seller made hereunder shall be materially inaccurate or breached or Seller shall fail to comply with or satisfy, in all material respects, its covenants and agreements made hereunder provided that written notice of such material inaccuracy, breach or failure shall have been given to Seller and Seller shall not have cured the same within 10 Business Days of receipt of such notice, except that Purchaser shall be entitled to terminate this Agreement, and there shall be no cure period for any breach, whether or not material, for a failure by Seller to deliver the Shares pursuant to Section 2.04;

(e) by either Seller or Purchaser in the event of the issuance of a final, nonappealable Governmental Order restraining or prohibiting the transactions contemplated herein; or

(f) by Seller if the Deposit has not been delivered by Purchaser to Seller on or prior to the Deposit Delivery Time.

Notwithstanding the foregoing, neither party may terminate this Agreement pursuant to clauses (c) or (d) of this Section 9.01 if any representation or warranty of the party seeking to terminate is materially inaccurate or breached or such party has failed to comply with or satisfy, in all material respects, its covenants and agreements made hereunder.

SECTION 9.02. Termination is Non-exclusive Remedy. (a) If this Agreement is terminated pursuant to Section 9.01(b) (provided that Seller is not then in material breach of this Agreement), Section 9.01(c) or 9.01(e) (unless, in the case of Section 9.01(e), such Governmental Order is attributable to facts or circumstances relating exclusively to Seller, any of Seller's Affiliates, any of the Companies or any of the Stations), then (i) Seller shall retain the Deposit and (ii) Purchaser shall pay the Interest Amount to Seller on the Interest Payment Date. The termination rights of Seller under Section 9.01 and the rights of Seller under this Section 9.02(a) are in addition to, and not exclusive of, any other rights or remedies Seller may have hereunder, at Law or otherwise.

(b) If this Agreement is terminated by Purchaser pursuant to Section 9.01(d) or 9.01(e) (if such Governmental Order is attributable to facts or circumstances relating exclusively to Seller, any of Seller's Affiliates, any of the Companies or any of the Stations) or is terminated by Seller other than in compliance with the terms of this Agreement, then the Deposit (together with interest thereon at the Interest Rate through the date of repayment) shall be refunded by Seller promptly to Purchaser and the Interest Amount shall not be payable to Seller.

(c) In the event of the termination of this Agreement as provided in Section 9.01, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto, except as set forth in Sections 5.03, 9.02(a) and 11.02

and nothing herein shall relieve either party from liability for any breach hereof or failure to perform hereunder.

SECTION 9.03. Waiver. At any time prior to the Closing, any party may (a) extend the time for the performance of any of the obligations or other acts of any other party hereto, (b) waive any inaccuracies in the representations and warranties of the other party hereto contained herein or in any document delivered pursuant hereto or (c) waive compliance by the other party hereto with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby.

ARTICLE X

INDEMNIFICATION

SECTION 10.01. Indemnification by Purchaser. (a) Subject to Section 11.01, Purchaser shall indemnify and hold Seller, its Affiliates and their respective employees, officers and directors (collectively, the "Seller Indemnified Parties") harmless from and against, and agrees to promptly defend any Seller Indemnified Party from and reimburse any Seller Indemnified Party for, any and all losses, damages, costs, expenses, liabilities, obligations and claims of any kind (including any Action brought by any Governmental Authority or Person and including reasonable attorneys' fees and expenses reasonably incurred) (collectively, "Losses"), which such Seller Indemnified Party may at any time suffer or incur, or become subject to, as a result or in connection with:

(i) the inaccuracy as of the date of this Agreement or the Closing Date of any representations and warranties made by Purchaser in or pursuant to this Agreement or in any instrument or certificate delivered by Purchaser at the Closing in accordance herewith; or

(ii) any failure by Purchaser to carry out, perform, satisfy and discharge any of its covenants, agreements, undertakings, liabilities or obligations under this Agreement or under any of the documents and/or other instruments delivered by Purchaser pursuant to this Agreement.

(b) The amounts for which Purchaser shall be liable under Section 10.01(a) shall be net of (i) any insurance payable to Seller Indemnified Parties from their own insurance policies in connection with the facts giving rise to the right of indemnification and (ii) any Tax benefits received by or accruing to Seller Indemnified Parties.

(c) Notwithstanding any other provision to the contrary, Purchaser shall not be required to indemnify and hold harmless any Seller Indemnified Party

pursuant to Section 10.01(a) unless Seller has asserted a claim with respect to such matters within the applicable survival period set forth in Section 11.01, and the cumulative indemnification obligation of Purchaser under Section 10.01(a)(i) of this Article X shall in no event exceed the Purchase Price.

SECTION 10.02. Indemnification by Seller . (a) Subject to Section 11.01 hereof, Seller shall indemnify and hold Purchaser, its Affiliates and their respective employees, officers and directors (collectively, the "Purchaser Indemnified Parties") harmless from and against, and agrees to promptly defend any Purchaser Indemnified Party from and reimburse any Purchaser Indemnified Party for, any and all Losses which such Purchaser Indemnified Party may at any time suffer or incur, or become subject to, as a result or in connection with:

(i) the inaccuracy as of the date of this Agreement or the Closing Date of any representations and warranties made by Seller in or pursuant to this Agreement or in any instrument or certificate delivered by Seller at the Closing in accordance herewith; or

(ii) any failure by Seller to carry out, perform, satisfy and discharge any of its covenants, agreements, undertakings, liabilities or obligations under this Agreement or under any of the documents and/or other instruments delivered by Seller pursuant to this Agreement.

(b) The amounts for which Seller shall be liable under Section 10.02(a) shall be net of (i) any insurance payable to Purchaser Indemnified Parties from their own insurance policies in connection with the facts giving rise to the right of indemnification and (ii) any Tax benefits received by or accruing to Purchaser Indemnified Parties.

(c) Notwithstanding any other provision to the contrary, Seller shall not be required to indemnify and hold harmless any Purchaser Indemnified Party pursuant to Section 10.02(a), (i) unless Purchaser has asserted a claim with respect to such matters within the applicable survival period set forth in Section 11.01, and (ii) until the aggregate amount of Purchaser Indemnified Parties' Losses exceeds an amount equal to 1% of the Purchase Price, after which Seller shall be obligated for all Losses of Purchaser Indemnified Parties in excess of such amount; provided, however, that the cumulative indemnification obligation of Seller under this Article X shall in no event exceed the Purchase Price.

(d) For purposes of calculating the amount of Losses subject to indemnification pursuant to Sections 10.01 and 10.02, it is understood and agreed between the parties hereto that to determine if there has been an inaccuracy or breach of a representation or warranty which is qualified as to materiality by the party making such representation or warranty or contains an exception for matters that would not

have a Material Adverse Effect, then such representation or warranty shall be read as if it were not so qualified or contained no such exception.

SECTION 10.03. Notification of Claims. (a) A party entitled to be indemnified pursuant to Section 10.01 or 10.02 (the "Indemnified Party") shall promptly notify the party liable for such indemnification (the "Indemnifying Party") in writing of any claim or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement; provided, however, that a failure to give prompt notice or to include any specified information in any notice will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party which was entitled to receive such notice was damaged as a result of such failure. Subject to the Indemnifying Party's right to defend in good faith third party claims as hereinafter provided, the Indemnifying Party shall satisfy its obligations under this Article X within 30 days after the receipt of written notice thereof from the Indemnified Party.

(b) If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to Section 10.03(a), and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party which the Indemnifying Party acknowledges is a claim or demand for which it must indemnify or hold harmless the Indemnified Party under Section 10.01 or 10.02, the Indemnifying Party shall have the right to employ counsel reasonably acceptable to the Indemnified Party to defend any such claim or demand asserted against the Indemnified Party for so long as the Indemnifying Party shall continue in good faith to diligently defend against such action or claim. The Indemnified Party shall have the right to participate in the defense of any such claim or demand at its own expense. The Indemnifying Party shall notify the Indemnified Party in writing, as promptly as possible (but in any case five Business Days before the due date for the answer or response to a claim) after the date of the notice of claim given by the Indemnified Party to the Indemnifying Party under Section 10.03(a) of its election to defend in good faith any such third party claim or demand. So long as the Indemnifying Party is defending in good faith any such claim or demand asserted by a third party against the Indemnified Party, the Indemnified Party shall not settle or compromise such claim or demand without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld, and the Indemnified Party shall make available to the Indemnifying Party or its agents all records and other material in the Indemnified Party's possession reasonable required by it for its use in contesting any third party claim or demand. Whether or not the Indemnifying Party elects to defend any such claim or demand, the Indemnified Party shall have no obligations to do so. In the event the Indemnifying Party elects not to defend such claim or action or if the Indemnifying Party elects to defend such claim or action but fails to diligently defend such claim or action in good faith, the Indemnified Party shall have the right to settle or compromise such claim or action without the consent of the Indemnifying Party, except that the Indemnified Party shall not settle or compromise any such claim or demand, unless the Indemnifying Party is given a full and completed release of any and all liability by all relevant parties relating thereto.

SECTION 10.04. Certain Exclusive Remedies. Except (i) as provided in Section 9.02(a) and (ii) for the indemnification obligations specified in Sections 5.02(b) and 5.06, Article VI and Article VII, Seller and Purchaser acknowledge and agree that the indemnification provisions of Sections 10.01 and 10.02 shall be the sole and exclusive remedies of Seller and Purchaser, respectively, for any breach of the representations or warranties herein or nonperformance of any covenants and agreements herein of the other party.

ARTICLE XI

GENERAL PROVISIONS

SECTION 11.01. Survival. The representations, warranties, covenants and agreements of Seller and Purchaser contained in or made pursuant to this Agreement or in any certificate furnished pursuant hereto shall terminate at the Closing, except that the representations and warranties made in Article III and Article IV and the covenants and agreements made herein shall survive in full force and effect until the later of (x) the six-month anniversary of the Closing Date or (y) March 31, 1998. In addition, Section 10.04, including the indemnification obligations contained in Sections 5.02(b), 5.06, 6.04 and 7.01, shall survive in perpetuity and Section 2.06 shall survive until the working capital adjustment contemplated therein has been completed.

SECTION 11.02. Expenses. Except as may be otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

SECTION 11.03. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given or made when delivered in person one Business Day after having been dispatched via a nationally recognized overnight courier service, when dispatched by facsimile, or three Business Days after being sent by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.03):

(a) if to Seller :

Viacom International Inc.
1515 Broadway
New York, New York 10036
Attention: General Counsel and

Deputy General Counsel
Telecopier: (212) 258-6099

(b) if to Purchaser:

Evergreen Media Corporation of Los Angeles
433 East Las Colinas Boulevard, Suite 1130
Irving, Texas 75039
Attention: Scott K. Ginsburg
Telecopier: (977) 432-0754

With a copy to:

Latham & Watkins
1001 Pennsylvania Ave., N.W., Suite 1300
Washington, D.C. 20004
Attention: Eric L. Bernthal
Telecopier: (202) 637-2201

SECTION 11.04. Public Announcements. Except as may be required by Law or stock exchange rules, no party to this Agreement shall make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without prior notification to the other party, and the parties shall cooperate as to the timing and contents of any such announcement.

SECTION 11.05. Non-Solicitation. Until the six-month anniversary of the Closing Date, Seller (excluding any of Seller's Affiliates) will not solicit or offer employment to any general manager or on-air talent who is then a Transferred Employee except that a general solicitation through advertisement or a professional broker will not constitute a violation of this Section.

SECTION 11.06. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 11.07. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced because of any Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in

a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

SECTION 11.08. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersedes all prior agreements and undertakings, both written and oral, between Seller and Purchaser with respect to the subject matter hereof and thereof, except as otherwise expressly provided herein.

SECTION 11.09. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns but will not be assignable or delegable by any party without the prior written consent of the other party which shall not be unreasonably withheld; provided, however, that in the event the Purchaser Merger is completed either prior to or after the Closing, then this Agreement and all of the rights and obligations of Purchaser hereunder, hereto and herein shall become binding upon and inure to the benefit of the corporation or other Person (the "Surviving Entity") surviving the Purchaser Merger; provided, further, that (a) except as otherwise permitted in this Section 11.09, prior to Closing, Purchaser or the Surviving Entity, as the case may be, may assign this Agreement to another party (the "Purchaser Assignee") without the consent of Seller if, but only if, (A) such Purchaser Assignee is legally, financially and in all other respects qualified under the laws, rules, and regulations of the FCC and each other applicable Governmental Authority to own the FCC Licenses and to operate the Stations as currently operated and (B) Purchaser or the Surviving Entity, as the case may be, agrees in a writing, in form and substance satisfactory to Seller, to remain primarily liable and responsible for the timely performance by Purchaser Assignee of this Agreement, and (b) Purchaser or the Surviving Entity, as the case may be, may without the consent of Seller make a collateral assignment of its rights under this Agreement to any financing source who provides funds to Purchaser or the Surviving Entity, as the case may be. Seller agrees to execute acknowledgments of such assignment(s) and collateral assignments in such forms as Purchaser or the Surviving Entity, as the case may be, or institutional lender(s) may from time to time reasonably request. In the event that the Purchaser Merger is consummated, all references herein to Purchaser shall be deemed to be references to the Surviving Entity.

SECTION 11.10. No Recourse. Notwithstanding any of the terms or provisions of this Agreement, each of Seller on the one hand, and Purchaser, on the other hand, agree that neither it nor any Person acting on its behalf may assert any claims or cause of action against any employee, officer or director of the other party or stockholder of such other party in connection with or arising out of this Agreement or the transactions contemplated hereby.

SECTION 11.11. No Third-Party Beneficiaries. Except as expressly provided in Articles VII and X, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended

to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 11.12. Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by Seller and Purchaser.

SECTION 11.13. Sections and Schedules. Any disclosure with respect to a Section or Schedule of this Agreement shall be deemed to be disclosure for all other Sections and Schedules of this Agreement.

SECTION 11.14. Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in a New York state or federal court sitting in the City of New York, and the parties hereto hereby irrevocable submit to the nonexclusive jurisdiction of such courts in any such action or proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding.

SECTION 11.15. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.16. No Presumption. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

SECTION 11.17. Specific Performance. Seller agrees that the Shares represent unique property that cannot be readily obtained on the open market and that Purchaser would be irreparably injured if this Agreement is not specifically enforced after default. Therefore, in addition to any other remedy Purchaser may have under this Agreement or at law or in equity, Seller agrees to waive the defense to the remedy of specific performance that Purchaser has an adequate remedy at law and to interpose no opposition, legal or otherwise, as to the propriety of specific performance as a remedy.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

VIACOM INTERNATIONAL INC.

By _____
Name:
Title:

EVERGREEN MEDIA CORPORATION
OF LOS ANGELES

By _____
Name:
Title:

SCHEDULES

Schedule 1 Markets, Companies and Radio Station Call Letters
Schedule 1.01 Disclosure Schedule

EXHIBITS

Exhibit 3.06 Financial Statements

SCHEDULE 1

MARKETS, COMPANIES AND RADIO STATION CALL LETTERS

Markets -----	Companies -----	Radio Station Call Letters -----
New York	WAXQ Inc. Riverside Broadcasting Co., Inc.	WAXQ -FM WLTW-FM
Los Angeles	KYSR Inc. KIBB Inc.	KYSR-FM KIBB-FM
Washington, DC	WMZQ Inc. Viacom Broadcasting East Inc.	WMZQ -FM WZHF-AM WJZW-FM WBZS-AM
Chicago, IL	WLIT Inc.	WLIT-FM
Detroit, MI	WDRQ Inc.	WDRQ-FM

Viacom Inc. and Subsidiaries
Computation of Net Earnings Per Share

	Year ended December 31,		
	1996	1995	1994
(In millions, except per share amounts)			
Earnings:			
Earnings from continuing operations	\$ 170.7	\$ 150.5	\$ 77.0
Cumulative convertible preferred stock dividend requirement	60.0	60.0	75.0
Earnings from continuing operations attributable to common stock	110.7	90.5	2.0
Earnings (loss) from discontinued operations, net of tax	(52.0)	72.0	33.0
Net gain on discontinued operations, net of tax.....	1,129.2	--	--
Extraordinary loss, net of tax	--	--	(20.4)
Net earnings	\$ 1,187.9	\$ 162.5	\$ 14.6
Primary Computation:			
Shares:			
Weighted average number of common shares outstanding	364.0	362.4	207.6
Common shares potentially issuable in connection with:			
Stock options and warrants	3.4	8.3	2.6
Variable common rights (1)	--	4.4	4.0
Contingent value rights (2)	--	--	5.8
Weighted average common shares and common share equivalents	367.4	375.1	220.0
Net earnings per common share:			
Earnings from continuing operations	\$ 0.30	\$ 0.24	\$.01
Earnings (loss) from discontinued operations, net of tax	(0.14)	0.19	.15
Net gain on discontinued operations, net of tax	3.07	--	--
Extraordinary loss, net of tax	--	--	(.09)
Net earnings	\$ 3.23	\$ 0.43	\$.07
Fully Diluted Computation:			
Shares:			
Weighted average number of common shares outstanding	364.0	362.4	207.6
Common shares potentially issuable in connection with:			
Stock options and warrants	3.5	8.6	3.0
Variable common rights (1)	--	4.5	4.0
Contingent value rights (2)	--	--	5.8
Preferred Stock (3)	--	--	--
Weighted average common shares and common share equivalents	367.5	375.5	220.4
Net earnings per common share:			
Earnings from continuing operations	\$ 0.30	\$ 0.24	\$ 0.1
Earnings (loss) from discontinued operations, net of tax	(0.14)	0.19	.15
Net gain on discontinued operations, net of tax	3.07	--	--
Extraordinary loss, net of tax	--	--	(0.09)
Net earnings	\$ 3.23	\$ 0.43	\$ 0.07

(1) The variable common rights (the "VCRs") matured on September 29, 1995. The Company issued approximately 6.1 million shares of Viacom Inc. Class B Common Stock, or .022665 of a share of Viacom Inc. Class B Common Stock per VCR, to settle its obligation under the VCRs.

(2) The contingent value rights (the "CVRS") matured on July 7, 1995. The Company paid approximately \$81.9 million in cash of approximately \$1.44 per CVR to settle its obligation.

(3) For the years ended December 31, 1996, 1995, and 1994, the assumed conversion of preferred stock had an anti-dilutive effect on earnings per share, resulting from the assumed reduction in preferred stock dividends, and therefore was excluded from the fully diluted earnings per share calculation.

The following table sets forth substantially all of the direct and indirect subsidiaries of Viacom Inc.:

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
101 Properties Corp.	Florida	100
1020917 Ontario Inc.	Canada (Ontario)	100
176309 Canada Inc.	Canada (Federal)	100
200 S. Andrews, Inc.	Delaware	100
2853-5912 Quebec Inc.	Canada (Quebec)	100
37th Floor Productions Inc.	Delaware	100
5555 Communications Inc.	Delaware	100
730995 Ontario Inc.	Canada (Ontario)	100
779991 Ontario Inc.	Canada (Ontario)	100
90210 Productions, Inc.	California	100
A-R Acquisition Corp.	Delaware	100
A.S. Payroll Company	California	100
Aaron Spelling Productions, Inc.	California	100
Abaco Farms, Limited	Bahamas	100
Addax Music Co., Inc.	Delaware	100
Aetrax International Corporation	Delaware	100
Afterschool Productions Inc.	Delaware	100
Ages Electronics, Inc.	Delaware	100
Ages Entertainment Software, Inc.	Delaware	100
Ahsuog Inc.	California	100
AHV Holding Corporation	Delaware	100
All Media Inc.	Delaware	100
Anall Pty. Limited	Australia	100
Antics G.P. Inc.	Delaware	100
Antics Inc.	Delaware	100
Antilles Oil Company, Inc.	Puerto Rico	100
Appleton & Lange, Inc.	Delaware	100
Arco Publishing, Inc.	Delaware	100
Are We Having Fun Yet? Productions	Canada	100
Aros N.V.	Netherlands Antilles	100
Around the Block Productions, Inc.	Delaware	100
Atlantic Associates, Inc.	Delaware	100
Atlantic Home Video	Delaware	80
Avalon Vertriebs GmbH	Germany	100
Bahamas Underwriters Services Limited	Bahamas	100
Bardwire Inc.	Delaware	100
Belhaven Limited	Bahamas	100
Beta Theatres Inc.	Delaware	100
Big Shows Inc.	Delaware	100
Big Ticket Music Inc.	Delaware	100
Big Ticket Pictures Inc.	Delaware	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Big Ticket Productions Inc.	Delaware	100
Big Ticket Television Inc.	Delaware	100
Biscondi Sdn Bhd	Malaysia	95
Blockbuster Adventures, Inc.	Delaware	100
Blockbuster Airship Holding Corporation	Delaware	100
Blockbuster Airships, Inc.	Delaware	100
Blockbuster Amphitheater Corp.	Delaware	100
Blockbuster Amusement Corporation	Delaware	100
Blockbuster Amusement Holding Corporation	Delaware	100
Blockbuster Australia Pty Ltd.	Australia	100
Blockbuster Computer Systems Corporation	Florida	100
Blockbuster Discovery Investment Inc.	Delaware	100
Blockbuster Distribution, Inc.	Delaware	100
Blockbuster Entertainment Inc.	Delaware	100
Blockbuster Entertainment Limited	United Kingdom	100
Blockbuster Family Fun, Inc.	Delaware	100
Blockbuster Family Fun, Inc.	Delaware	100
Blockbuster Fun & Fitness Holding Corp.	Delaware	100
Blockbuster Global Services Inc.	Delaware	100
Blockbuster International Spain Inc.	Delaware	100
Blockbuster Mid-America, Inc.	Delaware	100
Blockbuster Music Corporation	Delaware	100
Blockbuster Music Holding Corporation	Delaware	100
Blockbuster Music Retail, Inc.	Texas	100
Blockbuster On-Line Services, Inc.	Delaware	100
Blockbuster Park, Inc.	Delaware	100
Blockbuster Park Holding Corporation	Delaware	100
Blockbuster Park Lands, Inc.	Florida	100
Blockbuster Pictures Holding Corporation	Delaware	100
Blockbuster Productions Corporation	Delaware	100
Blockbuster Promotions Inc.	Delaware	100
Blockbuster SC Holding Corporation	Delaware	100
Blockbuster SC Music Corporation	Delaware	100

Blockbuster SC Video Holding Corporation	Delaware	100
Blockbuster SC Video Operating Corporation	Delaware	100
Blockbuster Services Inc.	Delaware	100
Blockbuster Technology Holding Corporation	Delaware	100
Blockbuster Video (New Zealand) Ltd.	New Zealand	100
Blockbuster Video Acquisition Corp.	Delaware	100
Blockbuster Video de Mexico S.A. de C.V.	Mexico	80
Blockbuster Video Deutschland GmbH	Germany	51
Blockbuster Video Espana, S.L.	Spain	88
Blockbuster Video International Corporation	Delaware	100
Blockbuster Video Italy, Inc.	Delaware	100
Blockbuster Video Superstores (Australia) Pty Limited	Australia	100
Blockbuster Videos, Inc.	Texas	100
Blue Cow Inc.	Delaware	100
BN Productions Inc.	Delaware	100
Bombay Hook Limited	Delaware	100
Brady Communications Company, Inc.	District of Columbia	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Branded Productions, Inc.	California	100
Broadcast Leasing Inc.	Delaware	100
Brookvale Developments No. 1 Pty. Limited	Australia (NSW)	100
Brookvale Developments No. 2 Pty. Limited	Australia (NSW)	100
Brown Pelican Productions Inc.	Delaware	100
Bruin Music Company	Delaware	100
BS Hotel, Inc.	Delaware	100
Bulletin Company	Delaware	100
BVJV Corporation	Delaware	100
C/FP Distribution Limited	Canada (Ontario)	50.05
Caloil Inc.	Canada	100
Capital Equipment Leasing Limited	United Kingdom	100
Cayman Overseas Reinsurance Association	Cayman Islands	100
Center for Applied Research in Education, Inc., The	Delaware	100
Central Park Theatres Limited	Canada (Alberta)	100
Centurion Satellite Broadcast Inc.	Delaware	100
Century Entertainment Ltd.	United Kingdom	100
Charlotte Amphitheater Corporation	Delaware	100
Cherokee Rose Productions Inc.	Delaware	100
Cinema Dominicana S.A.	Dominican Republic	100
Cinamerica Service Corporation	Delaware	100
Cinematic Arts B.V.	Netherlands	100
Cityvision plc	United Kingdom	100
Cityvision Videotheken Ges.M.B.H.	Austria	100
Clear View Cable Systems, Inc.	California	100
Columbus Circle Films Inc.	Delaware	100
Com-Cable TV, Inc.	Delaware	100
Compelling Music Corporation	California	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Computer Curriculum Corporation	Delaware	100
Concordia Films B.V.	Netherlands	97.14
Coronet Films, Inc.	New York	100
Desilu Productions, Inc.	Delaware	100
Direct Court Productions, Inc.	Delaware	100
Direct Response Associates, Inc.	Connecticut	100
Dynamic Soap, Inc.	California	100
Eagle Direct Inc.	Delaware	100
EBF Liquidating Company, Inc.	District of Columbia	100
Educational Management Group, Inc.	Illinois	100
Eighth Century Corporation	Delaware	100
Electronic Publishing, Inc.	New York	100
Ellis Horwood Limited	United Kingdom	100
Energy Development Associates, Inc.	Delaware	100
Ensign Music Corporation	Delaware	100
EPI Music Company	California	100
Erol's, Inc.	Delaware	100
Esquire Films, Inc.	Delaware	100
Everett Cablevision, Inc.	Washington	100
Evergreen Programs, Inc.	New York	100
EWB Corporation	Delaware	100
Executive Reports Corporation	New Jersey	100
Executive Tax Reports, Inc.	New York	100
EXP Limited	United Kingdom	100
EXP Music Publishing Limited	United Kingdom	100
Family Entertainment Centers, Inc.	Florida	100
Famous Music Corporation	Delaware	100
Famous Music Publishing Limited	United Kingdom	100
Famous Orange Productions Inc.	Delaware	100
Famous Players Inc.	Canada (Federal)	100
Famous Players International B.V.	Netherlands	100
Famous Players Investments B.V.	Netherlands	100
Festival Inc.	Delaware	100
Fifty-Sixth Century Antrim Iron Company, Inc.	Delaware	100
Film Intex Corporation	Delaware	100
Films Paramount S.A.	France	100
Fitzwilliam Publishing Limited	United Kingdom	100
FLC Holding Corp.	Florida	100
Focus Video Pty. Ltd.	Australia	100
Forgive Me Inc.	Delaware	100
Forty-Fourth Century Corporation	Delaware	100
French Street Management Inc.	Delaware	100
Front Street Management Inc.	Delaware	100
Future General Corporation	Delaware	100
G & W Leasing Company	Delaware	100
G & W Natural Resources Company, Inc.	Delaware	100
Games Animation Inc.	Delaware	100
Games Productions Inc.	Delaware	100
Glendale Property Corp.	Delaware	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Global Film Distributors B.V.	Netherlands	100
Globe Fearon Inc	California	100
Gloucester Titanium Company, Inc.	Delaware	100
GPCL (Canada) Limited	Canada (Federal)	100
Gramps Company, Inc., The	Delaware	100
Grand Bahama Petroleum Company Limited	Bahamas	100
Grande Alliance Co. Ltd.	Cayman Islands	100
Great American Entertainment Motion Pictures, Inc.	California	100
Great American Entertainment Television, Inc.	California	100
Green Tiger Press, Inc.	California	100
Greenvale Editorial Services, Inc.	New York	100
Gulf & Western do Brazil Industria e Comercio Limitada	Brazil	100
Gulf & Western Holdings Limited	Bahamas	100
Gulf & Western Indonesia, Inc.	Delaware	100
Gulf & Western Intercontinental Investments N.V.	Netherlands Antilles	100
Gulf & Western International Finance N.V.	Netherlands Antilles	100
Gulf & Western International N.V.	Netherlands Antilles	100
Hamilton Projects, Inc.	New York	100
Harvester Press Limited, The	United Kingdom	100
High Command Productions Limited	United Kingdom	100
House of Yes Productions Inc.	Delaware	100
Houston Video Management Inc.	Texas	100
Houston Video Venture, Inc.	Florida	100
Image Edit, Inc.	Delaware	100
IMR Acquisition Corp.	Delaware	100
Institute for Business Planning, Inc.	New York	100
International Book Distributors Limited	United Kingdom	100
International Bureau of Software Test, Inc.	Delaware	100
International Overseas Film Services, Inc.	Delaware	66.7
International Overseas Productions, Inc.	California	66.7
International Raw Materials Limited	Bahamas	100
Interstitial Programs Inc.	Delaware	100
Invest Learning Corporation	Delaware	100
J. K. Lasser, Inc.	Delaware	100
Jack of Hearts, a California partnership	California	100
James Barry Productions Inc.	Delaware	100
Japan Regents Publishing Company Inc.	Japan	100
Joseph Productions Inc.	Delaware	100
Jossey-Bass, Inc., Publishers	California	100
Katled Liquidating Inc.	Delaware	100
Katled Systems Inc.	Delaware	100
KIBB Inc.	Delaware	100
Kilo Mining Corporation	Pennsylvania	100
Kings Island Company	Delaware	100
KYSR Inc.	Delaware	100
LAPTV(N.A.) N.V.	Netherlands Antilles	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Large Ticket Songs Inc.	Delaware	100
Laurel Entertainment, Inc.	Delaware	100
Living Color Financial Displays, Inc.	Florida	100
Lizarb B.V.	Netherlands	100
Long Road Productions	Illinois	75
Low Key Productions Inc.	Delaware	100
LT Holdings Inc.	Delaware	100
M.R.E. Enterprises, Inc.	Florida	100
Maarten Investering Partnership	New York	100
Macmillan, Inc.	Delaware	100
Macmillan College Publishing Company, Inc.	Delaware	100
Magic Hour Productions, Ltd.	Canada	100
Magicam, Inc.	Delaware	83.5
Majestic Theatres Limited	Canada (Alberta)	100
Major Video Corp.	Nevada	100
Major Video National Advertising Council Corporation	Nevada	100
Major Video Super Stores, Inc.	Nevada	100
Markt & Technik GmbH	Germany	100
Mars Film Produzione S.P.A.	Italy	100
Master Data Center, Inc.	Michigan	100
Matlock Company, The	Delaware	100
Matt Houston Company, The	California	70
Mattalex Corporation	Delaware	100
Melrose Productions Inc.	California	100
Merritt Inc.	Delaware	100
Michaela Productions Inc.	Delaware	100
Modern Curriculum Inc.	California	100
Montgomery Acquisition, Inc.	Texas	100
MTV Asia Development Company Inc.	Delaware	100
MTV Australia Inc.	Delaware	100
MTV India Development Company Inc.	Delaware	100
MTV India LDC	Cayman Islands	100
MTV Networks AB	Sweden	100
MTV Networks B.V.	Netherlands	100
MTV Networks Company	Delaware	100
MTV Networks Europe Inc.	Delaware	100
MTV Networks Global Services Inc.	Delaware	100
MTV Networks GmbH	Germany	100
MTV Networks Latin America Inc.	Delaware	100
MTV Networks SARL	France	100
MTV Networks Shopping Inc.	Delaware	100
MTV Networks South Africa Inc.	Delaware	100
MTV Networks Srl	Italy	100
MTV SA LDC	Cayman Islands	100
MTV Songs Inc.	Delaware	100
MTVN Shopping Inc.	Delaware	100
Music By Nickelodeon Inc.	Delaware	100
Music By Video Inc.	Delaware	100
Nepco (Florida), Inc.	Florida	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
New Jersey Zinc Exploration Company, The	Delaware	100
New Leaf Entertainment Corporation	Delaware	100
New River Entertainment Corporation	Delaware	100
Newdon Productions	Illinois	76
Nickelodeon Australia Inc.	Delaware	100
Nickelodeon Germany Inc.	Delaware	100
Nickelodeon Huggings U.K. Limited	United Kingdom	100
Nickelodeon India Corporation	Delaware	100
Nickelodeon Magazines Inc.	Delaware	100
Nickelodeon Movies Inc.	Delaware	100
Night Falls Productions Inc.	Delaware	100
Northshore Productions Inc.	California	100
Notgnirrab Inc.	California	100
NTA, Inc.	New York	100
NTA Films, Inc.	New York	100
Number One FSC Ltd.	US Virgin Islands	100
O Good Songs Company	California	100
Oil Company, The	Delaware	60
One and Only Joint Venture, The	New York	53.37
Our Home Productions Inc.	Delaware	100
Outatown Productions Inc.	Delaware	100
Outlaw Entertainment Inc.	Nevada	100
Overseas Services B.V.	Netherlands	100
Para-Sac Music Corporation	Delaware	100
Paramount (PDI) Distribution Inc.	Delaware	100
Paramount Americas Film Corporation	Delaware	100
Paramount Asia Inc.	Delaware	100
Paramount British Pictures Limited	United Kingdom	100
Paramount Canadian Productions, Inc.	Delaware	100
Paramount Communications Acquisition Corporation	Delaware	100
Paramount Communications Technology Group Inc.	Delaware	100
Paramount Digital Entertainment Inc.	Delaware	100
Paramount Film Production (Deutschland) GmbH	Germany	100
Paramount Films B.V.	Netherlands	100
Paramount Films of Australia Inc.	Delaware	100
Paramount Films of China, Inc.	Delaware	100
Paramount Films of Egypt, Inc.	Delaware	100
Paramount Films of India, Ltd.	Delaware	100
Paramount Films of Italy, Inc.	New York	100
Paramount Films of Lebanon, Inc.	New York	100
Paramount Films of Pakistan Ltd.	New York	100
Paramount Films of Southeast Asia Inc.	Delaware	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Paramount General Entertainment Australia Inc.	Delaware	100
Paramount Home Video, Inc.	Delaware	100
Paramount Images Inc.	Delaware	100
Paramount International Holding Company	Delaware	100
Paramount LAPT V Inc.	Delaware	100
Paramount Music Corporation	Delaware	100
Paramount Overseas Productions, Inc.	Delaware	100
Paramount Parks Experience Inc.	Nevada	100
Paramount Parks Inc.	Delaware	100
Paramount Parks International B.V.	Netherlands	100
Paramount Pictures (Australia) Pty. Limited	Australia	100
Paramount Pictures (Canada) Inc.	Canada (Ontario)	100
Paramount Pictures (U.K.) Limited	United Kingdom	100
Paramount Pictures Corporation	Delaware	100
Paramount Pictures Corporation (Canada) Inc.	Canada (Ontario)	100
Paramount Production Support Inc.	Delaware	100
Paramount Productions, Inc.	Canada (Ontario)	100
Paramount Productions Service Corporation	Delaware	100
Paramount Publishing Deutschland GmbH	Germany	100
Paramount Publishing Europe B.V.	Netherlands	100
Paramount Publishing Nederland B.V.	Netherlands	100
Paramount Stations Group Inc.	Virginia	100
Paramount Stations Group of Fort Worth/Dallas Inc.	Virginia	100
Paramount Stations Group of Houston Inc.	Virginia	100
Paramount Stations Group of Philadelphia Inc.	Virginia	100
Paramount Stations Group of Washington Inc.	Virginia	100
Paramount Television International Services, Ltd.	Bermuda	100
Paramount Television Limited	United Kingdom	100
Paramount Television Service, Inc.	Delaware	100
Park Court Productions, Inc.	Delaware	100
Parker Publishing Company, Inc.	New York	100
Part-Time Productions Inc.	Delaware	100
PCCGW Company, Inc.	Delaware	100
PCI Canada Inc.	Delaware	100
PCI Network Partner Inc.	Delaware	100
Pet II Productions Inc.	Delaware	100
Pier 66 Productions Inc.	Florida	100
Plaza Theatre Company, The	United Kingdom	95
PMV Productions Inc.	Delaware	100
Pocket Books of Canada, Ltd.	Canada (Federal)	100
Possum Point Incorporated	Delaware	100
Premier Advertiser Sales Inc.	Delaware	100
Premiere House, Inc.	Delaware	100
Pren-Hall Corporation, The	New York	100
Prentice-Hall, Inc.	Delaware	100
Prentice-Hall (China) Pte. Limited	Hong Kong	100
Prentice-Hall (M) Sdn Bhd	Malaysia	100
Prentice-Hall (South Africa) (Proprietary) Limited	South Africa	100
Prentice-Hall Canada Inc.	Canada (Ontario)	100
Prentice-Hall Developmental Learning Centers, Inc.	New Jersey	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Prentice-Hall Hispanoamericana, S.A.	Mexico	100
Prentice-Hall International, Inc.	New York	100
Prentice-Hall International (U.K.) Ltd.	United Kingdom	100
Prentice-Hall Learning Systems, Inc.	Delaware	100
Prentice-Hall of Australia Pty. Limited	Australia	100
Prentice-Hall of Japan, Inc.	Japan	100
Prentice-Hall Professional Software, Inc.	Delaware	100
Preye, Inc.	California	100
Proxy Music Corporation	California	100
Publishing FSC Ltd.	US Virgin Islands	100
QM Music Company	California	100
QWERTY Inc.	Delaware	100
R.H. Productions Inc.	California	100
Reality Check Productions Inc.	Delaware	100
Regents Publishing Co., Inc.	New York	100
Remote Productions Inc.	Delaware	100
Republic Direct Inc.	California	100
Republic Distribution Corporation	Delaware	100
Republic Entertainment Inc.	Delaware	100
Republic Pictures Corp. of Canada Ltd.	Canada	100
Republic Pictures Corporation, B.V.	Netherlands	100
Republic Pictures Enterprises, Inc.	Delaware	100
Republic Pictures Netherlands Antilles N.V.	Netherlands Antilles	100
Republic Pictures Productions, Inc.	California	100
Reston Information Systems, Inc.	Pennsylvania	100
Reston Publishing Co., Inc.	Delaware	100
RH Productions Inc.	California	100
Ritz Video Film Hire Limited	United Kingdom	100
Riverside Broadcasting Co., Inc.	Delaware	100
Robert J. Brady Co.	Maryland	100
RTV News Inc.	Delaware	100
Satellite Holdings Inc.	Delaware	100
Saucon Valley Iron and Railroad Company, The	Pennsylvania	100
Scarab Publishing Corporation	Delaware	100
Scott Mattson Farms, Inc.	Florida	100
SEGI Holding Co.	Delaware	100
SFI Song Company	Delaware	100
Show Industries, Inc.	California	100
Showtime Networks Inc.	Delaware	100
Showtime Networks Inc. (U.K.)	Delaware	100
Showtime Networks Middle East Inc.	Delaware	100
Showtime Networks Satellite Programming Company	California	100
Showtime Online Inc.	Delaware	100
Showtime Satellite Networks Inc.	Delaware	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Showtime/Sundance Holding Company Inc.	Delaware	100
SIFO One Inc.	Delaware	100
SIFO Two Inc.	Delaware	100
Silver Burdett Ginn Inc.	Delaware	100
Simon & Schuster, Inc.	New York	100
Simon & Schuster (Asia) Pte. Ltd.	Singapore	100
Simon & Schuster (Australia) Pty. Limited	Australia	100
Simon & Schuster Global Services Inc.	Delaware	100
Simon & Schuster Limited	United Kingdom	100
Simon & Schuster Macmillan France SARL	France	100
Simon & Schuster of Canada (1976) Ltd.	Canada (Federal)	100
SNI Development Corp.	Delaware	100
Solar Service Company	Delaware	100
Southeastern Home Video, Inc.	Delaware	100
Special Effects Merchandise, Inc.	Delaware	100
Spelling Entertainment Group Inc.	Delaware	75
Spelling Entertainment Inc.	Delaware	100
Spelling Films Inc.	Delaware	100
Spelling Films Music Inc.	Delaware	100
Spelling Pictures Inc.	Delaware	100
Spelling Satellite Networks, Inc.	California	100
Spelling Television (Canada) Inc.	Canada (B. C.)	100
Spelling Television Inc.	Delaware	100
Spelling/Ball Joint Venture, The	California	100
St. Johns Realty Investors	Massachusetts	100
State of Mind Inc.	Delaware	100
Sunn Classic Pictures, Inc.	Utah	100
Sunset Beach Productions, Inc.	Delaware	100
T & R Payroll Company	Delaware	100
T.V. Factory, Inc., The	New York	100
Talent Court Productions, Inc.	Delaware	100
Taylor Forge Memphis, Inc.	Delaware	100
Tele-Vu Ltee.	Canada (Federal)	100
Theatre 59 Ltd.	Delaware	100
They Productions Inc.	Delaware	100
Thinner Productions, Inc.	Delaware	100
Third Century Company	Delaware	100
Thirteenth Century Corporation	Delaware	100
Thirtieth Century Corporation	Delaware	100
Timber Purchase Company	Florida	100
Titus Productions, Inc.	California	100
Toe-To-Toe Productions Inc.	Delaware	100
Torand Payroll Company	Delaware	100
Torand Productions Inc.	Delaware	100
Total Warehouse Services Corporation	Delaware	100
Trans-American Resources, Inc.	Delaware	100
Tredegars Home Entertainment Limited	United Kingdom	100
TRF III Entertainment, Inc.	Delaware	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Triohurst Limited.	United Kingdom	100
TS Video, Inc.	Louisiana	100
TSM Services Inc.	Delaware	100
Tunes By Nickelodeon Inc.	Delaware	100
TV Scoop Inc.	Delaware	100
UI Video Stores, Inc.	Colorado	100
UIV Acquisition Corporation	Delaware	100
Universal American Corporation	Delaware	100
Uptown Productions Inc.	Delaware	100
Uro, S.A.	Spain	100
VE Development Company	Delaware	100
VE Drive inc.	Delaware	100
VE Television Inc.	Delaware	100
VH-1 Management GmbH	Germany	100
VH-1 OHG	Germany	100
VHONE Inc.	Delaware	100
Viacom A.G.	Switzerland	100
Viacom Asia Inc.	Delaware	100
Viacom Brasil Holdings Limitada	Brazil	100
Viacom Broadcasting East Inc.	Delaware	100
Viacom Broadcasting of Miami, Inc.	Delaware	100
Viacom Broadcasting of Missouri Inc.	Delaware	100
Viacom Broadcasting of Philadelphia, Inc.	Delaware	100
Viacom Broadcasting West Inc.	Delaware	100
Viacom Camden Lock Inc.	Delaware	100
Viacom Canada Limited	Canada (Federal)	100
Viacom Consumer Products Inc.	Delaware	100
Viacom DBS Inc.	Delaware	100
Viacom Enterprises Canada Ltd.	Canada (Federal)	100
Viacom First Run Development Company Inc.	Delaware	100
Viacom First Run Limited	Delaware	100
Viacom Global Services	Delaware	100
Viacom Group Finance Limited	United Kingdom	100
Viacom HA! Holding Company	Delaware	100
Viacom IDA Inc.	Delaware	100
Viacom International (Netherlands) B.V.	Netherlands	100
Viacom International Canada Ltd.	Canada (Ontario)	100
Viacom International Holdings B.V.	Netherlands	100
Viacom International Inc.	Delaware	100
Viacom International Inc. Political Action Committee Corporation	New York	100
Viacom International Limited	United Kingdom	100
Viacom International N.V.	Netherlands Antilles	100
Viacom International Pty. Limited	Australia	100
Viacom IRB Acquisition Inc.	Delaware	100
Viacom Japan Inc.	New York	85
Viacom K-Band Inc.	Delaware	100
Viacom Middle East VOF	Netherlands Antilles	100
Viacom Networks Europe Inc.	Delaware	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Viacom Networks Inc.	New York	100
Viacom Pacific Limited	Vila, Vanuatu	100
Viacom Phoenix Inc.	Delaware	100
Viacom Pictures Development Company	Delaware	100
Viacom Pictures Inc.	Delaware	100
Viacom Pictures Movie Music Inc.	Delaware	100
Viacom Pictures Overseas Inc.	Delaware	100
Viacom Pictures Songs Inc.	Delaware	100
Viacom PNW Sports Inc.	Delaware	100
Viacom Productions Inc.	Delaware	100
Viacom Properties Inc.	Delaware	100
Viacom Realty Corporation	Delaware	100
Viacom Retail Stores, Inc.	Delaware	100
Viacom Satellite News Inc.	Delaware	100
Viacom Shopping Inc.	Delaware	100
Viacom Telecommunications (D.C.) Inc.	Delaware	100
Viacom UK Limited	United Kingdom	100
Viacom VHENO GmbH	Germany	100
Viacom VHENO Inc.	Delaware	100
Viacom Video-Audio Comunicacoes Limitada	Brazil	100
Viacom WBFS Inc.	Delaware	100
Viacom World Wide Ltd.	New York	100
Viacom WPSG Inc.	Delaware	100
Viacom WSBK Inc.	Delaware	100
Video Club (G.B.) Limited	United Kingdom	100
Video Store (Jersey) Limited	Channel Islands	100
VIE Holding Company	Delaware	100
Virgin Interactive Entertainment (Asia Pacific) Pte. Limited	Singapore	100
Virgin Interactive Entertainment (Australia) Pte. Limited	Australia	100
Virgin Interactive Entertainment (Deutschland) GmbH	Germany	100
Virgin Interactive Entertainment (Espana) S.A.	Spain	100
Virgin Interactive Entertainment (Europe) Ltd.	United Kingdom	100
Virgin Interactive Entertainment (France) S.A.R.L. Ltd.	France	100
Virgin Interactive Entertainment (Holdings) Ltd.	United Kingdom	100
Virgin Interactive Entertainment (Investments) Limited	United Kingdom	100
Virgin Interactive Entertainment (Japan) K.K.	Japan	100
Virgin Interactive Entertainment (Overseas) Ltd.	United Kingdom	100
Virgin Interactive Entertainment Inc.	Delaware	100
Virgin Interactive Entertainment Limited	United Kingdom	100
Virgin Retail Australia Pty. Ltd.	Australia	100
VISI Services Inc.	Delaware	100
Vision Productions, Inc.	New York	100
Vista Television Cable, Inc.	Washington	100
VJK Inc.	Delaware	100
VNM Inc.	Delaware	100
VP Direct Inc.	Delaware	100
VP Programs Inc.	California	100
VSC Communications Inc.	Delaware	100
VSC Compositions Inc.	New York	100
VSC Music Inc.	New York	100

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED DIRECTLY OR INDIRECTLY
Warren Schloat Productions, Inc.	New York	100
WAXQ Inc.	Delaware	100
WDRQ Inc.	Delaware	100
Western Row Properties, Inc.	Ohio	100
Westside Amphitheater Corporation, The	Arizona	100
Westwood Studios, Inc.	Nevada	100
Wheatsheaf Books Limited	United Kingdom	100
Wilshire Court Productions, Inc.	Delaware	100
Wilshire Entertainment Inc.	Delaware	100
Wilshire Payroll Inc.	Delaware	100
Wilshire/Hauser Company	Delaware	100
WLIT Inc.	Delaware	100
WMJX, Inc.	Florida	100
WMZQ Inc.	Delaware	100
Woburn Insurance Ltd.	Bermuda	100
Woodhead-Faulkner (Publishers) Limited	United Kingdom	100
World Entertainment Corporation	New York	100
World Volleyball League, Inc.	New York	100
Worldvision Enterprises, Inc.	New York	100
Worldvision Enterprises, GmbH	Germany	100
Worldvision Enterprises (France) S.A.R.L.	France	100
Worldvision Enterprises (United Kingdom), Ltd.	New York	100
Worldvision Enterprises de Venezuela	Venezuela	100
Worldvision Enterprises Latino-Americana	Panama	100
Worldvision Enterprises of Australia, Pty., Ltd.	Australia	100
Worldvision Enterprises of Canada, Limited	New York	100
Worldvision Filmes do Brasil, Ltda.	Brazil	100
Worldvision Foreign Sales Corporation	Virgin Islands	100
Worldvision Home Video, Inc.	New York	100
Worldwide Productions, Inc.	Delaware	100
WSBK License, Inc.	Delaware	100
WT Productions	Delaware	100
WV Productions, Inc.	Delaware	100
WVIT Inc.	Delaware	100
Yellams LDC	Cayman Islands	100
Young Reader's Press, Inc.	Delaware	100

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (No. 33-53485 and No. 33-55785) of Viacom Inc. and Viacom International Inc. and in the Registration Statements on Form S-8 (No. 33-41934, No. 33-56088, No. 33-59049, No. 33-59141, No. 33-55173, No. 33-55709 and No. 33-60943) of Viacom Inc. of our report dated February 14, 1997 except as to the second and first paragraphs of Note 3 which are as of February 16, 1997 and February 19, 1997, respectively included in Item 8 of this Form 10-K.

PRICE WATERHOUSE LLP

New York, New York
March 31, 1997

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe P. Dauman and Michael D. Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ George S. Abrams

George S. Abrams

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ Ivan Seidenberg

Ivan Seidenberg

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ Thomas E. Dooley

Thomas E. Dooley

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ Ken Miller

Ken Miller

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ Brent D. Redstone

Brent D. Redstone

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe P. Dauman and Michael D. Fricklas her true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as she might or could do in person hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ Shari Redstone

Shari Redstone

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ Frederic V. Salerno

Frederic V. Salerno

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 27th day of March, 1997.

/s/ William Schwartz

William Schwartz

12-MOS

DEC-31-1996
DEC-31-1996 209
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2,254
101
2,342
5,718 3,890
734
28,834
4,269 9,856
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1,200 4
11,390
28,834 12,084
12,084 7,605
10,810
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798
481 296
171
1,077
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1,188
3.23
3.23