AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 6, 1994
REGISTRATION NO. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VIACOM INC.
(Exact name of registrant as specified in its charter)

DELAWARE	4841	04-2949533
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

200 ELM STREET
DEDHAM, MASSACHUSETTS 02026
(617) 461-1600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

PHILIPPE P. DAUMAN, ESQ.
EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL,
CHIEF ADMINISTRATIVE OFFICER AND SECRETARY
VIACOM INTERNATIONAL INC.
1515 BROADWAY
NEW YORK, NEW YORK 10036
(212) 258-6000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:
PHILLIP L. JACKSON, ESQ.
CREIGHTON O'M. CONDON, ESQ.
SHEARMAN & STERLING
599 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022
(212) 848-4000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As promptly as practicable after this Registration Statement becomes effective and all other conditions to the business combination transaction (the "Paramount Merger"), pursuant to which a wholly owned subsidiary of Viacom Inc., a Delaware corporation ("Viacom"), will merge with and into Paramount Communications Inc., a Delaware corporation ("Paramount"), described in the enclosed Joint Proxy Statement/Prospectus have been satisfied or waived (but in no event earlier than the 20th business day following the date on which the enclosed Joint Proxy Statement/Prospectus has been given or sent to stockholders of Paramount).

IF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED IN CONNECTION WITH THE FORMATION OF A HOLDING COMPANY AND THERE IS COMPLIANCE WITH GENERAL INSTRUCTION G, CHECK THE FOLLOWING BOX. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED(1)	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE(3)
Class B Common Stock(4)	105,804,115			
Three-Year Warrants	30,567,739			
Five-Year Warrants	18,340,643			
		> (2)	> (2)	$884,093
8% Exchangeable Subordinated Debentures due 2006	$1,069,870,865			
Contingent Value Rights(6)	56,895,733			
Series C Cumulative Exchangeable Redeemable Preferred Stock(5)	21,397,417			
5% Subordinated Debentures due 2014	$1,069,870,865			

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

(footnotes on following page)

(footnotes for preceeding page)
(1) This Registration Statement relates to securities of the Registrant issuable to holders of Common Stock, par value $1.00 per share, of Paramount ("Paramount Common Stock") in the Paramount Merger.

(2) Not applicable.
(3) Pursuant to Rule 457(f) of the Securities Act of 1933, the registration fee for all the securities registered hereunder, $884,093, has been calculated as follows: one-twentyninth of one percent of (a) $41 15/16, the average of the high and low prices of shares of Paramount Common Stock reported on the New York Stock Exchange Composite Transaction Tape on June 1, 1994, multiplied by (b) 61,135,478, the maximum number of shares of Paramount Common Stock to be exchanged in the Paramount Merger. Pursuant to Rule 457(b) of the Securities Act of 1933, the amount of the registration fee has been reduced by $489,198. This amount was determined by offsetting the amount of the registration fee payable hereunder by $1,808,667, the amount paid with respect to this transaction pursuant to Section 14(g) of the Securities Exchange Act of 1934, of which $1,319,469 has been previously offset by Viacom Inc.'s Schedule 14D-1 Tender Offer Statement filed in connection with this transaction. Therefore, $489,198 of the $1,808,667 is available to offset the Registration Fee payable with respect to this Registration Statement. (Such amount was also utilized with respect to the related Rule 13e-3 Transaction Statement of Paramount.) Accordingly, $394,895 is required to be paid with this filing. On May 27, 1994, $396,213 was wired to the Securities and Exchange Commission's lockbox.
(4) Of the 105,804,115 shares of Class B Common Stock, par value $.01 per share, of Viacom being registered hereunder, 30,567,739 and 18,340,643 are issuable upon conversion, if any, of the Three-Year Warrants and the Five-Year Warrants being registered hereunder, respectively.
(5) The shares of Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, of Viacom (the "Series C Preferred Stock") being registered hereunder would be issued upon any exchange of the 8% Exchangeable Subordinated Debentures due 2006 of Viacom in accordance with the terms thereof. No separate consideration will be received for the Series C Preferred Stock in the event any such exchange occurs. The aggregate principal amount of 5% Subordinated Debentures of Viacom due 2014 (the "5% Debentures") being registered hereunder would be issued upon any exchange of the Series C Preferred Stock in accordance with the terms thereof. No separate consideration will be received for the 5% Debentures in the event any such exchange occurs.
(6) Includes such indeterminate number and indeterminate types of securities, if any, of Viacom as may be issued in exchange for the CVRs registered hereunder. No additional consideration will be received for such underlying securities.

VIACOM INC.

Cross Reference Sheet pursuant to Rule 404(a) of the Securities Act of 1993 and Item 501(b) of Regulation S-K, showing the location or heading in the Joint Proxy Statement/Prospectus of the information required by Part I of Form S-4.

S-4 ITEM NUMBER AND CAPTION	LOCATION OR HEADING IN JOINT PROXY STATEMENT/PROSPECTUS
A. Information About the Transaction	
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus	Available Information; Incorporation of Certain Documents by Reference; Table of Contents
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information	Summary
4. Terms of the Transaction	Summary; Introduction; The Meetings; Special Factors; The Paramount Merger; Certain Provisions of the Paramount Merger Agreement; Financing of the Offer; Amendments to the Restated Certificate of Incorporation of Viacom; Amendment to the Certificate of Incorporation and By-Laws of Paramount; Management Before and After the Mergers; Financial Matters After the Mergers; Sale of Viacom Preferred Stock; Description of Viacom Capital Stock; Description of Viacom Debentures; Comparison of Stockholder Rights; Other Matters; Dissenting Stockholders' Rights of Appraisal
5. Pro Forma Financial Information	Summary; Unaudited Pro Forma Combined Condensed Financial Statements Viacom-Paramount/Combined Company
6. Material Contacts with the Company Being Acquired	Summary; Special Factors; The Paramount Merger; Certain Provisions of the Paramount Merger Agreement
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	Not Applicable
8. Interests of Named Experts and Counsel	Not Applicable
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable
B. Information about the Registrant	
10. Information with Respect to S-3 Registrants	Available Information; Incorporation of Certain Documents by Reference
11. Incorporation of Certain Information by Reference	Incorporation of Certain Documents by Reference
12. Information with Respect to S-2 or S-3 Registrants	Not Applicable
13. Incorporation of Certain Information by Reference	Not Applicable

	14. Information with Respect to Registrants other than S-3 or S-2 Registrants	Not Applicable
C.	Information About the Company Being Acquired	
	15. Information with Respect to S-3 Companies	Available Information; Incorporation of Certain Documents by Reference
	16. Information with Respect to S-2 or S-3 Companies	Not Applicable
	17. Information with Respect to Companies Other than S-3 or S-2 Companies	Not Applicable
D.	Voting and Management Information	
	18. Information if Proxies, Consents or Authorizations are to be Solicited	Summary; The Meetings; The Paramount Merger; Certain Provisions of the Paramount Merger Agreement; Management Before and After the Mergers; Security Ownership of Certain Beneficial Owners and Management; Dissenting Stockholders' Rights of Appraisal; Incorporation of Certain Documents by Reference
	19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer	Not Applicable

VIACOM INC.
AND
PARAMOUNT COMMUNICATIONS INC.
JOINT PROXY STATEMENT

VIACOM INC.
PROSPECTUS

This Joint Proxy Statement/Prospectus (this "Proxy Statement/Prospectus") is being furnished to stockholders of Viacom Inc. ("Viacom") and Paramount Communications Inc. ("Paramount") in connection with the solicitation of proxies by the respective Boards of Directors of such corporations for use at their respective Special Meetings of Stockholders (including any adjournments or postponements thereof) to be held on July 7, 1994 and July 6, 1994, respectively. This Proxy Statement/Prospectus relates to a business combination transaction pursuant to which Viacom Sub Inc., a wholly owned subsidiary of Viacom (the "Merger Subsidiary"), will merge with and into Paramount (the "Paramount Merger"), pursuant to the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 (the "February 4 Merger Agreement"), as further amended as of May 26, 1994 (the "Paramount Merger Agreement"), among Viacom, the Merger Subsidiary and Paramount, a copy of which is attached hereto as Annex I.

This Proxy Statement/Prospectus is also being furnished to stockholders of Viacom in connection with the solicitation of proxies by the Viacom Board of Directors for use at the 1994 Annual Meeting of Stockholders of Viacom (the "Viacom Annual Meeting"), which is to be held immediately following the Special Meeting of Stockholders of Viacom referred to above. At the Viacom Annual Meeting, holders of Class A Common Stock, par value $.01 per share, of Viacom ("Viacom Class A Common Stock") will be asked to consider and vote upon (i) the election of 10 directors, (ii) the approval of the Viacom Senior Executive Short-Term Incentive Plan (the "Senior Executive STIP"), (iii) the approval of the Viacom 1994 Long-Term Management Incentive Plan (the "New LTMIP"), (iv) the approval of the Viacom Stock Option Plan for Outside Directors (the "Outside Directors' Plan"), (v) the approval of the appointment of independent auditors for 1994 and (vi) such other business as may properly come before the Viacom Annual Meeting or any adjournment thereof.

This Proxy Statement/Prospectus also constitutes a prospectus of Viacom with respect to (i) 56,895,733 shares of the Class B Common Stock, par value $.01 per share, of Viacom ("Viacom Class B Common Stock" and, together with the Viacom Class A Common Stock, the "Viacom Common Stock"), (ii) $1,069,870,865 principal amount of 8% exchangeable subordinated debentures due 2006 of Viacom (the "Viacom Merger Debentures"), (iii) 56,895,733 contingent value rights of Viacom ("CVRs"), representing the right to receive (under certain circumstances) cash or securities of Viacom depending on market prices of Viacom Class B Common Stock during a one-, two-or three-year period following the Paramount Merger, (iv) 30,567,739 three-year warrants ("Viacom Three-Year Warrants") to purchase one share of Viacom Class B Common Stock at $60 per share, and (v) 18,340,643 five-year warrants ("Viacom Five-Year Warrants" and, together with Viacom Three-Year Warrants, "Viacom Warrants") to purchase one share of Viacom Class B Common Stock at $70 per share, all issuable to the holders of the Common Stock, par value $1.00 per share, of Paramount ("Paramount Common Stock") in the Paramount Merger. On February 1, 1994, the last trading day before the announcement of the terms of the February 4 Merger Agreement, on February 14, 1994 (the date on which Paramount's financial advisor, Lazard Freres & Co. ("Lazard Freres"), reaffirmed its written opinion addressed to the Paramount Board of Directors, dated February 4, 1994), and on June 3, 1994, the last trading day before the printing of this Proxy Statement/Prospectus, the last sales price of a share of Viacom Class B Common Stock as reported on the American Stock Exchange, Inc. (the "AMEX") was $34-1/8, $29-7/8 and $28-5/8, respectively. Lazard Freres reaffirmed its February 4, 1994 opinion on February 14, 1994. Lazard Freres has not been requested to update that opinion.

The securities to be issued in the Paramount Merger have been approved for listing on the AMEX, subject to official notice of issuance and stockholder approval. The shares of Viacom Class B Common Stock are traded on the AMEX under the symbol "VIA.B" and the Viacom Debentures, CVRs, Viacom Three-Year Warrants and Viacom Five-Year Warrants will be traded under the symbols "VIA.D", "VIA.CV", "VIA.WS.C" and "VIA.WS.E", respectively.

THIS PROXY STATEMENT/PROSPECTUS DOES NOT RELATE TO THE PROPOSED MERGER (THE "BLOCKBUSTER MERGER" AND, TOGETHER WITH THE PARAMOUNT MERGER, THE "MERGERS") BETWEEN VIACOM AND BLOCKBUSTER ENTERTAINMENT CORPORATION (TOGETHER WITH ITS CONSOLIDATED SUBSIDIARIES, "BLOCKBUSTER"). A SEPARATE JOINT PROXY STATEMENT/PROSPECTUS OF VIACOM AND BLOCKBUSTER RELATING TO THE BLOCKBUSTER MERGER WILL BE SENT TO STOCKHOLDERS OF VIACOM AND BLOCKBUSTER PRIOR TO ANY CONSIDERATION OF THE BLOCKBUSTER MERGER.

This Proxy Statement/Prospectus and the accompanying forms of proxy are first being mailed to stockholders of Viacom and Paramount on or about June 7, 1994.

NEITHER THIS TRANSACTION NOR THE SECURITIES COVERED BY THIS PROXY STATEMENT/PROSPECTUS HAVE BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE FAIRNESS OR MERITS OF THIS TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The date of this Proxy Statement/Prospectus is June 6, 1994.

NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS IN CONNECTION WITH THE SOLICITATIONS OF PROXIES OR THE OFFERING OF SECURITIES MADE HEREBY AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY VIACOM OR PARAMOUNT. THIS PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES, OR THE SOLICITATION OF A PROXY, IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM IT IS NOT LAWFUL TO MAKE ANY SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROXY STATEMENT/PROSPECTUS NOR ANY DISTRIBUTION OF SECURITIES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF VIACOM, PARAMOUNT OR BLOCKBUSTER SINCE THE DATE HEREOF OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

AVAILABLE INFORMATION

Viacom has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-4 (together with any amendments thereto, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs, and the Viacom Warrants to be issued pursuant to the Paramount Merger Agreement. Sumner M. Redstone, National Amusements, Inc., Viacom and Paramount have filed with the Commission a Rule 13e-3 Transaction Statement (including any amendments thereto, the "Schedule 13E-3") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to the Paramount Merger. This Proxy Statement/Prospectus does not contain all the information set forth in the Registration Statement and the exhibits thereto and the Schedule 13E-3 and the exhibits thereto. Statements contained in this Proxy Statement/Prospectus or in any document incorporated in this Proxy Statement/Prospectus by reference as to the contents of any contract or other document referred to herein or therein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement or such other document, each such statement being qualified in all respects by such reference. Viacom anticipates that it will also file with the Commission a separate Registration Statement on Form S-4 (together with any amendments thereto, the "Blockbuster Registration Statement") under the Securities Act with respect to the securities that will be issued to holders of Blockbuster Common Stock in connection with the Blockbuster Merger.

Viacom, Paramount and Blockbuster are subject to the informational requirements of the Exchange Act and in accordance therewith file reports, proxy statements and other information with the Commission. The Schedule 13E-3 and the reports, proxy statements and other information filed by Viacom and Paramount and the reports, proxy statements and other information filed by Blockbuster with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and should be available at the Commission's Regional Offices at Seven World Trade Center, 13th Floor, New York, New York 10007, and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material also can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, material filed by Viacom and Paramount can be inspected at the offices of the AMEX, 86 Trinity Place, New York, New York 10006 and the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005, respectively. The Common Stock, par value $.10 per share, of Blockbuster ("Blockbuster Common Stock") is listed and traded on the NYSE and the London Stock Exchange (the "LSE"), and certain of Blockbuster's reports, proxy materials and other information may be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005 or the offices of the LSE, Old Broad Street, London, England EC2N 1HP. After consummation of the Mergers, Paramount and Blockbuster may no longer file reports, proxy statements or other information with the Commission. Instead, such information would be provided, to the extent required, in filings made by Viacom.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission by Viacom (File No. 1-9553), Paramount (File No. 1-5404) and Blockbuster (File No. 1-12700) pursuant to the Exchange Act are incorporated by reference in this Proxy Statement/Prospectus:

1. Viacom's Annual Report on Form 10-K for the year ended December 31, 1993 as amended by Form 10-K/A Amendment No. 1 dated May 2, 1994;

2. Viacom's Quarterly Report on Form 10-Q for the three months ended March 31, 1994;

3. Viacom's Current Reports on Form 8-K dated January 12, 1994, March 18, 1994 and March 28, 1994;

4. Paramount's Transition Report on Form 10-K for the six-month period ended April 30, 1993, as amended by Form 10-K/A Amendment No. 1 dated September 28, 1993, as further amended by Form 10-K/A Amendment No. 2 dated September 30, 1993, and as further amended by Form 10-K/A Amendment No. 3 dated March 21, 1994;

5. Paramount's Quarterly Reports on Form 10-Q for the three months ended July 31, 1994, the six months ended October 31, 1994 and the nine months ended January 31, 1994;

6. Paramount's Current Reports on Form 8-K dated June 22, 1993, June 30, 1993, July 15, 1993, September 15, 1993, January 4, 1994, January 28, 1994, March 17, 1994 and March 18, 1994;

7. Blockbuster's Annual Report on Form 10-K for the year ended December 31, 1993;

8. Blockbuster's Quarterly Report on Form 10-Q for the three months ended March 31, 1994; and

9. Blockbuster's Current Reports on Form 8-K dated January 7, 1994 (filed January 12, 1994), February 15, 1994 (filed February 22, 1994), March 10, 1994 (filed March 11, 1994) and May 5, 1994 (filed May 5, 1994).

All documents and reports filed by Viacom, Paramount and Blockbuster pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Proxy Statement/Prospectus and prior to the date of the special meetings of stockholders of Paramount and Viacom and the Viacom Annual Meeting, including any adjournment thereof, shall be deemed to be incorporated by reference in this Proxy Statement/Prospectus and to be a part hereof from the dates of filing of such documents or reports. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement/Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Statement/Prospectus.

This Proxy Statement/Prospectus incorporates documents by reference which are not presented herein or delivered herewith. Such documents (other than exhibits to such documents unless such exhibits are specifically incorporated by reference) are available, without charge, to any person, including any beneficial owner, to whom this Proxy Statement/Prospectus is delivered, on written or oral request, to Viacom International Inc., 1515 Broadway, New York, New York 10036 (telephone number (212) 258-6000), Attention: John H. Burke. In order to ensure delivery of the documents prior to the applicable stockholder meeting, requests should be received by June 22, 1994.

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LIST OF ANNEXES AND EXHIBITS

DEFINITION CROSS-REFERENCE SHEET

Set forth below is a list of certain defined terms used in this Proxy Statement/Prospectus and the page on which each such term is defined:

(vi)

The following is a summary of certain information contained elsewhere in this Proxy Statement/Prospectus. Reference is made to, and this summary is qualified in its entirety by, the more detailed information contained or incorporated by reference in this Proxy Statement/Prospectus and the Annexes and Exhibits hereto. Stockholders are urged to read this Proxy Statement/Prospectus and the Annexes and Exhibits hereto, and in particular the section herein entitled "Certain Considerations", in their entirety.

BUSINESS	
Viacom Inc. ..... 200 Elm Street Dedham, Massachusetts 02026 (617) 461-1600	Viacom's principal asset is its 100% ownership of Viacom International ("Viacom International") and its majority ownership of Paramount. Viacom International is a diversified entertainment and communications company with operations in four principal segments: Networks, Entertainment, Cable Television and Broadcasting. Networks. Viacom Networks operates three basic cable services in the U.S.: MTV: MUSIC TELEVISION, VH-1/VIDEO HITS ONE and NICKELODEON/NICK AT NITE. Viacom Networks also operates three premium services: SHOWTIME, THE MOVIE CHANNEL and FLIX. Viacom also participates as a joint venturer in COMEDY CENTRALTM and ALL NEWS CHANNELTM. Internationally, MTV Networks operates MTV EUROPE and MTV LATINO and participates as a joint venturer in NICKELODEON UK. Entertainment. Viacom Entertainment is comprised principally of (i) Viacom Enterprises, which distributes off-network programming and feature films for television exhibition in various markets throughout the world and also distributes television programs for initial U.S. television exhibition on a non-network basis and for international television exhibition; (ii) Viacom Productions, which produces television series and other television properties independently and in association with others primarily for initial exhibition on U.S. prime time network television; and (iii) Viacom New Media, which develops, produces, distributes and markets interactive software for the stand-alone and other multimedia marketplaces. Cable Television. Viacom Cable owns and operates cable television systems servicing approximately 1,111,000 customers as of March 31, 1994 in California, the Pacific Northwest and the Midwest. Among other projects, Viacom Cable has constructed a fiber optic cable system in Castro Valley, California to accommodate testing of new interactive services. In connection with this test, Viacom has entered into an agreement with AT&T to test and further develop such services. Broadcasting. Viacom Broadcasting owns and operates five network-affiliated television stations and 14 radio stations (two of which are under contract to be sold) in six of the top eight radio markets, including duopolies (i.e., ownership of two or more AM or two or more FM stations in the same

market) in each of Los Angeles, Seattle and Washington, D.C.

Strategic Relationships. Viacom has entered into strategic relationships with Blockbuster and NYNEX Corporation ("NYNEX") including (i) a $600 million investment by Blockbuster in the Series A Cumulative Convertible Preferred Stock, par value $.01 per share, of Viacom (the "Series A Preferred Stock"), (ii) a $1.2 billion investment by NYNEX in the Series B Cumulative Convertible Preferred Stock, par value $.01 per share, of Viacom (the "Series B Preferred Stock" and, together with the Series A Preferred Stock, the "Viacom Preferred Stock") and (iii) an agreement with each of Blockbuster and NYNEX to explore strategic partnership opportunities.

In addition, on March 10, 1994 Blockbuster purchased approximately 22.7 million shares of Viacom Class B Common Stock for an aggregate purchase price of approximately $1.25 billion pursuant to the Subscription Agreement dated as of January 7, 1994 between Blockbuster and Viacom (the "Blockbuster Subscription Agreement").

Blockbuster Merger. Viacom and Blockbuster are parties to an Agreement and Plan of Merger (the "Blockbuster Merger Agreement") dated as of January 7, 1994, as described under "The Blockbuster Merger."

Ownership of Paramount Common Stock. On March 11, 1994, pursuant to the terms of its tender offer for shares of Paramount Common Stock (sometimes hereinafter referred to as the "Offer" and sometimes as the "Fourth Viacom Offer"), Viacom completed its purchase of 61,657,432 of such shares, representing a majority of the shares of Paramount Common Stock outstanding. On March 11, 1994, 10 members of Paramount's Board of Directors resigned and their positions were filled by 10 designees of Viacom (the "Reconstituted Board of Directors of Paramount"). Effective March 15, 1994, Paramount's fiscal year was changed such that its fiscal year (consisting of eleven calendar months) will end March 31, 1994, following which Paramount's fiscal year will be the nine month period ending December 31, 1994. Thereafter, Paramount's fiscal year will be the twelve month period ending on December 31 of each year, conforming to that of Viacom.

Recent Developments. On April 4, 1994, Viacom sold its one-third partnership interest in LIFETIME(R) to its partners The Hearst Corporation and Capital Cities/ABC Inc. for approximately $317.6 million.

Paramount Communications Inc. .....
15 Columbus Circle
New York, New York 10023
(212) 373-8000

The businesses of Paramount are entertainment and publishing. Entertainment includes the production, financing and distribution of motion pictures, television programming and prerecorded videocassettes and the operation of motion picture theaters, independent television stations, regional theme parks and Madison Square Garden.

	Publishing includes the publication and distribution of hardcover and paperback books for the general public, textbooks for elementary schools, high schools and colleges, and the provision of information services for business and professions.
THE MEETINGS	
Meetings of Stockholders.....	Viacom. A Special Meeting of Stockholders of Viacom will be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York on Thursday, July 7, 1994, at 10:30 a.m., local time (the "Viacom Special Meeting"). The Viacom Annual Meeting will be held immediately following the Viacom Special Meeting at the same location as the Viacom Special Meeting. Paramount. A Special Meeting of Stockholders of Paramount will be held at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, on Wednesday, July 6, 1994, at 10:00 a.m., local time (the "Paramount Special Meeting" and, together with the Viacom Special Meeting, the "Special Meetings").
Matters to Be Considered at the Meetings...	Viacom. At the Viacom Special Meeting, holders of Viacom Class A Common Stock will consider and vote upon (i) a proposal to approve and adopt the Paramount Merger Agreement, including the issuance of the Paramount Merger Consideration (as defined below); (ii) proposals to amend Viacom's Restated Certificate of Incorporation to (1) increase the number of shares of Viacom Class B Common Stock authorized to be issued from 150 million to one billion, (2) increase the number of shares of Viacom Class A Common Stock authorized to be issued from 100 million to 200 million, (3) increase the number of shares of preferred stock of Viacom authorized to be issued from 100 million to 200 million and (4) increase the maximum number of directors constituting the Board of Directors of Viacom from 12 to 20 (the matters described in clauses (1) through (4) above being hereinafter together referred to as the "Viacom Charter Amendments") and (iii) such other proposals as may be properly brought before the Viacom Special Meeting. At the Viacom Annual Meeting, holders of Viacom Class A Common Stock will consider and vote upon (i) the election of 10 directors, (ii) the approval of the Senior Executive STIP, (iii) the approval of the New LTMIP, (iv) the approval of the Outside Directors' Plan, (v) the approval of the appointment of independent auditors for 1994 and (vi) such other business as may properly come before the Viacom Annual Meeting or any adjournment thereof (the matters described in clauses (i) through (v) above being hereinafter together referred to as the "Viacom Annual Meeting Proposals"). Paramount. At the Paramount Special Meeting, holders of Paramount Common Stock will consider and vote upon (i) a proposal to approve and adopt the Paramount Merger

	Agreement and (ii) such other matters as may be properly brought before the meeting.
Security Ownership of Management and Certain Affiliates.....	Viacom. As of April 1, 1994, directors and executive officers of Viacom and their affiliates (other than Sumner M. Redstone, Chairman of the Board of Viacom) were beneficial owners of less than 1% of the outstanding shares of Viacom Class A Common Stock and less than 1% of the outstanding shares of Viacom Class B Common Stock. National Amusements, Inc. ("NAI"), which is controlled by Sumner M. Redstone, owned approximately 85% of the outstanding shares of Viacom Class A Common Stock and 52% of the outstanding shares of Viacom Class B Common Stock on April 1, 1994. Paramount. As of March 31, 1994, directors and executive officers of Paramount were beneficial owners of approximately 1.82% of the outstanding shares of Paramount Common Stock.
Votes Required.....	Viacom. In order to effect the Viacom Charter Amendments, the Viacom Charter Amendments must be approved by the affirmative vote of the holders of a majority of the outstanding shares of Viacom Class A Common Stock. Abstentions and broker non-votes will have the same effect as votes against the Viacom Charter Amendments. The affirmative vote of the holders of a majority of the shares of Viacom Class A Common Stock present in person or represented by proxy is required for approval of the Paramount Merger Agreement (including the issuance of the Paramount Merger Consideration) and approval of the Annual Meeting Proposals. Abstentions will have the same effect as a vote against approval of the Paramount Merger Agreement and approval of Annual Meeting Proposals. Broker non-votes will have no such effect and will not be counted. Pursuant to a Voting Agreement dated as of January 21, 1994 (the "Paramount Voting Agreement") between Paramount and NAI, a copy of which is attached as Annex II, NAI has agreed to vote all of its shares of Viacom Class A Common Stock in favor of the Paramount Merger and related transactions. The vote of NAI in accordance with the Paramount Voting Agreement would be sufficient to approve the Paramount Merger Agreement and the related transactions without any action on the part of any other holder of Viacom Class A Common Stock. NAI has advised Viacom that it intends to vote all of its shares of Viacom Class A Common Stock in favor of the Annual Meeting Proposals and each of the Viacom Charter Amendments; such action by NAI is sufficient to approve such proposals without any action on the part of any other holder of Viacom Class A Common Stock. Paramount. In order to effect the Paramount Merger, the Paramount Merger Agreement must be approved by the affirmative vote of the holders of a majority of the

	outstanding shares of Paramount Common Stock entitled to vote thereon. Abstentions and broker non-votes will have the same effect as votes against the Paramount Merger Agreement. As Viacom has acquired a majority of the outstanding shares of Paramount Common Stock pursuant to the Offer, Viacom has sufficient voting power to approve the Paramount Merger Agreement, even if no other stockholder of Paramount votes in favor of the Paramount Merger Agreement.
Record Date.....	Viacom. The record date for the Viacom Special Meeting and the Viacom Annual Meeting is May 31, 1994. Accordingly, holders of record of Viacom Common Stock as of such date will be entitled to notice of, and holders of record of Viacom Class A Common Stock will be entitled to vote at, the Viacom Special Meeting and the Viacom Annual Meeting. Paramount. The record date for the Paramount Special Meeting is May 31, 1994. Accordingly, holders of record of Paramount Common Stock as of such date will be entitled to notice of, and to vote at, the Paramount Special Meeting.
THE PARAMOUNT MERGER	
The Offer.....	Pursuant to the Offer, on March 11, 1994, Viacom completed its purchase of a majority of the shares of Paramount Common Stock outstanding at a price of $107 per share in cash, or an aggregate cash consideration of approximately $6.6 billion.
Form of the Paramount Merger.....	The Paramount Merger Agreement provides that the Paramount Merger will be effected by causing the Merger Subsidiary, a wholly owned subsidiary of Viacom, to merge with and into Paramount. As a result, Paramount will be the corporation surviving the merger and will become a wholly owned subsidiary of Viacom after the effective time of the Paramount Merger (the "Paramount Effective Time"). At the Paramount Effective Time, the Restated Certificate of Incorporation (the "Certificate of Incorporation") and By-Laws of Paramount will be amended in their entirety to read as the Certificate of Incorporation and By-Laws of the Merger Subsidiary.
Conversion of the Paramount Common Stock...	Pursuant to the Paramount Merger Agreement, each share of Paramount Common Stock not owned by Viacom (other than shares of Paramount Common Stock held in the treasury of Paramount or owned by any direct or indirect wholly owned subsidiary of Viacom or of Paramount and other than shares of Paramount Common Stock held by stockholders who have demanded and perfected appraisal rights under the Delaware General Corporation Law ("DGCL")), will be converted into the right to receive (i) 0.93065 of a share of Viacom Class B Common Stock, (ii) $17.50 principal amount of the Viacom Merger Debentures, (iii) 0.93065 of a CVR, (iv) 0.5 of a Viacom Three-Year Warrant and (v) 0.3 of a Viacom Five-Year

Paramount Merger Consideration.....	Warrant (collectively, the "Paramount Merger Consideration"). Viacom Class B Common Stock has rights, privileges, limitations, restrictions and qualifications identical to Viacom Class A Common Stock, except that shares of Viacom Class B Common Stock have no voting rights other than those required by law. The Viacom Merger Debentures will bear interest at a rate of 8% per annum, will have a maturity of 12 years from the Paramount Effective Time, will be redeemable by Viacom at declining redemption premiums after the fifth anniversary of the Paramount Effective Time and will be subordinated in right of payment to all senior obligations of Viacom. The Viacom Merger Debentures will be exchangeable, at the option of Viacom, into the Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, of Viacom (the "Series C Preferred Stock"), on or after the earlier of (i) January 1, 1995, but only if the Blockbuster Merger has not been consummated by such date and (ii) the acquisition by a third party of beneficial ownership of a majority of the then outstanding voting securities of Blockbuster, into the Series C Preferred Stock at the rate of one share of Series C Preferred Stock for each $50 in principal amount of Viacom Merger Debentures exchanged. At the time of the exchange of the Series C Preferred Stock for the Viacom Merger Debentures, all accrued and unpaid interest on the Viacom Merger Debentures will not be paid and instead the dividends payable pursuant to subclause (i) of the next sentence will be payable. The Series C Preferred Stock, if issued, (i) would accrue dividends from the later of the Paramount Effective Time and the latest date through which interest has been paid on the Viacom Merger Debentures at a rate of 5% per annum until the tenth anniversary of the Paramount Effective Time and 10% per annum thereafter, (ii) would have a liquidation preference of $50 per share, (iii) would be redeemable at the option of Viacom at declining redemption premiums after the fifth anniversary of the Paramount Effective Time and (iv) would be exchangeable at the option of Viacom into the 5% subordinated debentures due 2014 of Viacom (the "Viacom Exchange Debentures") after the third anniversary of the Paramount Effective Time. Each whole CVR will represent the right, on the first anniversary of the Paramount Effective Time, to receive, in cash or securities of Viacom (at the option of Viacom), the amount by which the average trading value of Viacom Class B Common Stock over a specified period is less than a minimum price of $48 per share. If Viacom elects to issue securities in payment for the CVRs, such securities could take the form of common stock or preferred stock, options or warrants therefor, other securities convertible into or exchangeable for common stock or preferred stock, notes,

debentures, derivative securities or any other security of Viacom now existing or hereafter created or any combination of the foregoing. Viacom will have the right, in its sole discretion, to extend the payment and measurement dates of the CVR by one year, in which case the minimum price will increase to $51 per share, and a further one-year extension right which, if exercised by Viacom, would increase the minimum price to $55 per share. The average trading value will be based upon market prices during the 60 trading days ending on the last day of the relevant period and is subject to a floor of (i) $36 per share if Viacom does not exercise its extension rights, (ii) $37 per share if Viacom extends the payment and measurement dates of the CVR by one year or (iii) $38 per share if Viacom exercises its further one-year extension right. The value of the securities, if any, issued in exchange for the CVRs will be determined by an Independent Financial Expert (as defined below). There can be no assurance, however, that such securities would ultimately trade in the market at a price at or above such valuation.

If the average trading value of a share of Viacom Class B Common Stock equals or exceeds $48 on the Maturity Date or $51 on the First Extended Maturity Date (if the Maturity Date is extended by Viacom to the First Extended Maturity Date) or $55 on the Second Extended Maturity Date (if the First Extended Maturity Date is extended by Viacom to the Second Extended Maturity Date), as the case may be, no amount will be payable with respect to the CVRs. Certain corporate reorganizations, in which consideration paid to holders of shares of Viacom Class B Common Stock exceeds minimum amounts, may also result in no value being payable with respect to the CVRs. See "Description of Viacom Capital Stock--Contingent Value Rights."

Each whole Viacom Three-Year Warrant will entitle the holder thereof to purchase one share of Viacom Class B Common Stock at any time prior to the third anniversary of the Paramount Effective Time at a price of $60, payable in cash.

Each whole Viacom Five-Year Warrant will entitle the holder thereof to purchase one share of Viacom Class B Common Stock at any time prior to the fifth anniversary of the Paramount Effective Time at a price of $70, payable in cash or, if issued, in an equivalent amount of liquidation preference of Series C Preferred Stock or principal amount of Viacom Exchange Debentures.

No fractional securities will be issued in connection with the Paramount Merger. In lieu of any such fractional shares, each holder of Paramount Common Stock will be paid an amount in cash as described under "Certain Provisions of the Paramount Merger Agreement--Procedure for Exchange of Paramount Certificates."

On February 1, 1994, the last trading day before the announcement of the terms of the February 4 Merger

	Agreement, February 14, 1994 (the date on which Lazard Freres reaffirmed its written opinion addressed to the Paramount Board dated February 4, 1994), and on June 3, 1994, the last trading day before the printing of this Proxy Statement/Prospectus, the last sales price of a share of Viacom Class B Common Stock as reported on the AMEX was $34 1/8, $29 7/8 and $28 5/8, respectively. However, no assurances can be given with respect to the prices at which the Viacom Class B Common Stock will trade after the date hereof or after the Paramount Effective Time or the prices at which the Viacom Merger Debentures (or, if issued, the Series C Preferred Stock and the Viacom Exchange Debentures), the CVRs and the Viacom Warrants will trade after the Paramount Effective Time. There has been no public trading market for the Viacom Merger Debentures, CVRs or Viacom Warrants and there can be no assurances that an active market for such securities will develop or continue after the Paramount Merger.
Ownership of Viacom Common Stock After the Mergers.....	Following the Paramount Merger. NAI will own approximately 85% of the voting Viacom Class A Common Stock and approximately 46% of the aggregate Viacom Common Stock immediately following consummation of the Paramount Merger. Former stockholders of Paramount will own approximately 28% of the aggregate Viacom Common Stock immediately following consummation of the Paramount Merger. (All percentages of ownership of common stock shown above in this paragraph are calculated assuming that the Blockbuster Merger has not yet been consummated.) Following the Mergers. NAI will own approximately 62% of the voting Viacom Class A Common Stock and approximately 25% of the aggregate Viacom Common Stock immediately following consummation of the Mergers. Former stockholders of Paramount will own approximately 16% of the aggregate Viacom Common Stock immediately following consummation of the Mergers. Former stockholders of Blockbuster will own approximately 27% of the voting Viacom Class A Common Stock and approximately 46% of the aggregate Viacom Common Stock immediately following consummation of the Mergers. (All percentages of ownership of common stock shown above in this section are calculated based on the number of shares of the relevant class or classes of stock outstanding as of March 31, 1994.)
Recommendations of the Boards of Directors.....	Viacom. By a unanimous vote (with one director abstaining) of directors at a special meeting of the Board of Directors of Viacom held on February 1, 1994, the Viacom Board of Directors determined that the Offer and the Paramount Merger, taken together, are fair to, and in the best interests of, Viacom and its stockholders, approved the Offer and the Paramount Merger and resolved to recommend that holders of Viacom Class A Common Stock

	vote FOR approval of the February 4 Merger Agreement and related transactions.
	On May 26, 1994, the Board of Directors of Viacom approved an amendment (the "May Amendment") to the February 4 Merger Agreement. The principal purposes of the May Amendment were to (i) add Merger Subsidiary as a party, (ii) provide for the merger of Merger Subsidiary with and into Paramount (rather than Paramount into Viacom) and (iii) provide for the treatment of Paramount Stock Options in the Paramount Merger as described under "The Paramount Merger--Effect on Employee Benefit Stock Plans."
	The Board of Directors of Viacom also recommends that the stockholders of Viacom vote FOR the Viacom Charter Amendments and Annual Meeting Proposals.
	Paramount. On February 4, 1994, the Board of Directors of Paramount (i) approved the terms of the February 4 Merger Agreement and authorized its execution and delivery, (ii) determined that the Offer and the Paramount Merger, taken together, are fair to, and in the best interests of, the holders of Paramount Common Stock, (iii) recommended approval and adoption of the February 4 Merger Agreement by the stockholders of Paramount and (iv) recommended that holders of Paramount Common Stock tender their shares pursuant to the Offer.
	On May 26, 1994, the Reconstituted Board of Directors of Paramount approved the May Amendment.
Opinions of Financial Advisors.....	Viacom. Smith Barney Shearson Inc. ("Smith Barney") has delivered its opinion to the Board of Directors of Viacom that, as of February 1, 1994, the financial terms of the Offer and the Paramount Merger, taken together, are fair, from a financial point of view, to Viacom and its stockholders whether or not the Blockbuster Merger is consummated.
	Paramount. Lazard Freres, financial advisor to Paramount, has delivered its opinion to the Board of Directors of Paramount that, as of February 4, 1994, (i) the consideration to be received by the holders of Paramount Common Stock in the Offer and the Paramount Merger, taken together (the "Viacom Transaction Consideration"), was fair to the holders of Paramount Common Stock from a financial point of view, (ii) the consideration proposed to be received in the Fourth QVC Offer and the Fourth QVC Second-Step Merger (each as defined in "Special Factors--Opinions of Financial Advisors"), taken together (the "QVC Transaction Consideration"), was fair to the holders of Paramount Common Stock from a financial point of view and (iii) the Viacom Transaction Consideration was marginally superior to the QVC Transaction Consideration from a financial point of view. On February 14, 1994, Lazard Freres reaffirmed its February 4, 1994 opinion.
	For information on the assumptions made, matters considered and limits of the reviews by Smith Barney and

	Lazard Freres, stockholders are urged to read in their entirety the opinions of Smith Barney and Lazard Freres attached as Annexes III and IV, respectively, to this Proxy Statement/Prospectus.
Conditions to the Paramount Merger, Termination.....	The obligations of Viacom and Paramount to consummate the Paramount Merger are subject to various conditions, including obtaining requisite stockholder approvals and approval for listing on the AMEX, subject to official notice of issuance, of the shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs and the Viacom Warrants to be issued in connection with the Paramount Merger. The Paramount Merger Agreement may be terminated at any time prior to the Paramount Effective Time by mutual consent of Viacom and Paramount, or by either party if (i) any permanent injunction or action by any governmental entity preventing consummation of the Paramount Merger becomes final and nonappealable, (ii) the Paramount Merger has not been consummated before July 31, 1994; provided, however, that the Paramount Merger Agreement may be extended by written notice of either Paramount or Viacom to a date not later than September 30, 1994 if the Paramount Merger has not been consummated as a direct result of Viacom or Paramount having failed by July 31, 1994 to receive all required regulatory approvals or consents with respect to the Paramount Merger or (iii) any approval of stockholders of Viacom or Paramount required for consummation of the Paramount Merger has not been obtained at the applicable meeting. Paramount may terminate the Paramount Merger Agreement if Viacom has breached any representation, warranty, covenant or agreement in the Paramount Merger Agreement such that the closing conditions relating to its representations, warranties, covenants and agreements would be incapable of being satisfied by July 31, 1994.
Stock Exchange Listing.....	It is a condition to the Paramount Merger that the shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs and the Viacom Warrants to be issued in the Paramount Merger as Paramount Merger Consideration be authorized for listing on the AMEX, subject to official notice of issuance. Such securities have been approved for listing on the AMEX, subject to official notice of issuance and stockholder approval. The shares of Viacom Class B Common Stock are traded on the AMEX under the symbol "VIA.B" and the Viacom Debentures, CVRs, Viacom Three-Year Warrants and Viacom Five-Year Warrants will be traded under the symbols "VIA.D", "VIA.CV", "VIA.WS.C" and "VIA.WS.E", respectively. Viacom has also agreed to use its reasonable best efforts to cause the Series C Preferred Stock and the Viacom Exchange Debentures to be approved for listing on the AMEX prior to the issuance thereof.

Dividends.....	The Paramount Merger Agreement prohibits the declaration, setting aside, making or payment of dividends until the Paramount Effective Time, except for (i) Viacom's regularly scheduled quarterly dividends to be paid on the Viacom Preferred Stock, (ii) Paramount's regularly scheduled quarterly dividends, not to exceed $.20 per share, after consultation with Viacom as to the timing and advisability of declaring any such dividend and (iii) dividends paid and declared by subsidiaries of Viacom and Paramount consistent with past practice.
Appraisal Rights.....	In connection with the Paramount Merger, a holder of shares of Paramount Common Stock who has not voted in favor of the Paramount Merger will be entitled to demand appraisal rights in respect of such shares under Section 262 of the DGCL, subject to satisfaction by such stockholder of the conditions for appraisal rights established by such Section, which is set forth in full in Annex V hereto. Holders of Viacom Common Stock will not have appraisal rights in connection with the Paramount Merger.
Certain Federal Income Tax Consequences....	No ruling has been (or will be) sought from the Internal Revenue Service as to the anticipated Federal income tax consequences of the Paramount Merger. A Paramount stockholder will recognize gain or loss on all Paramount Common Stock exchanged in the Paramount Merger equal to the difference between such stockholder's basis in the Paramount Common Stock so exchanged and the amount of cash and/or the fair market value on the date of the Paramount Merger of the Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs, the Viacom Three-Year Warrants and the Viacom Five-Year Warrants received. Neither Paramount nor Viacom will recognize any gain or loss as a result of the Paramount Merger.
Financing of the Offer.....	The total amount of funds required by Viacom to consummate the Offer and to pay related fees and expenses was approximately $6.7 billion. The Offer was financed by (i) $1.8 billion from the sale of Viacom Preferred Stock (see "Sale of Viacom Preferred Stock"), proceeds of which are reflected as cash and cash equivalents on Viacom's Balance Sheet as of December 31, 1993, (ii) $1.25 billion from the sale of Viacom Class B Common Stock to Blockbuster and (iii) $3.7 billion from borrowings under a credit agreement. During May 1994, Viacom received commitments from a syndicate of financial institutions for a new long-term $6.8 billion credit facility. On May 5, 1994, Viacom, Viacom International and Paramount filed a shelf registration statement with the Commission registering $3.0 billion of debt securities and preferred stock, guaranteed by Viacom International and, after the Paramount Effective Time, Paramount. Although Viacom expects that it will be able to refinance its indebtedness and meet its obligations without the need to sell any assets, Viacom is continuing to review opportunities for the sale of non-strategic assets as such

	opportunities may arise, including the exploration of the sale of the operations of Madison Square Garden and certain non-core publishing assets.
Paramount Voting Agreement.....	Pursuant to the Paramount Voting Agreement, NAI has agreed to vote its shares of Viacom Class A Common Stock in favor of the Paramount Merger and related transactions and against any competing business combination proposal. Approval of the Paramount Merger Agreement (including the issuance of the Paramount Merger Consideration) and related transactions by the stockholders of Viacom is therefore assured.
THE BLOCKBUSTER MERGER	
The Blockbuster Merger Agreement.....	The Blockbuster Merger Agreement provides that, subject to stockholder approval, at the effective time of the Blockbuster Merger (the "Blockbuster Effective Time"), Blockbuster will merge with and into Viacom, with Viacom being the surviving corporation. Such surviving corporation is hereinafter referred to in this Proxy Statement/Prospectus as "Viacom-Blockbuster." Viacom-Blockbuster, together with its consolidated subsidiaries, and together with Paramount as its wholly owned subsidiary, is referred to in this Proxy Statement/Prospectus as the "combined company." It is anticipated that the Blockbuster Merger would be considered at separate meetings of the stockholders of Viacom and Blockbuster. Pursuant to a Voting Agreement dated as of January 7, 1994 (the "Blockbuster Voting Agreement") between Blockbuster and NAI, NAI has agreed to vote its shares of Viacom Class A Common Stock in favor of the Blockbuster Merger and against any competing business combination proposal. Approval of the Blockbuster Merger by the stockholders of Viacom is therefore assured. In a letter to stockholders dated May 4, 1994, H. Wayne Huizenga, the Chairman of the Board of Blockbuster, stated that, although Blockbuster continues to believe that the combination of Blockbuster with Viacom and Paramount represents an excellent strategic opportunity, given Viacom's stock prices as of the date of his letter, there could be no assurance that the Blockbuster Board would be able to recommend the Blockbuster Merger Agreement to the Blockbuster stockholders at the time of any stockholder meeting called to vote on the Blockbuster Merger. Mr. Huizenga also stated, among other things, that Blockbuster was unable to say whether or not the Blockbuster Merger would go forward or whether or not any special meeting of Blockbuster stockholders would be called to vote on the Blockbuster Merger. THIS PROXY STATEMENT/PROSPECTUS IS NOT A SOLICITATION WITH RESPECT TO, NOR A PROSPECTUS RELATING TO, THE BLOCKBUSTER MERGER.

Blockbuster	Blockbuster is an international entertainment company with businesses operating in the home video, music retailing and filmed entertainment industries. Blockbuster also has investments in other entertainment related businesses. Home Video Retailing. Blockbuster owns, operates and franchises Blockbuster Video videocassette rental and sales stores. According to a survey published in the December 1993 issue of Video Store Magazine, Blockbuster's and its franchise owners' systemwide revenue from the rental and sale of prerecorded videocassettes is greater than that of any other video specialty chain in the United States. As of December 31, 1993, there were 3,593 video stores operating in Blockbuster's system, of which 2,698 were Blockbuster-owned and 895 were franchise-owned. Blockbuster-owned video stores at December 31, 1993 included 775 stores operating under the "Ritz" trade name in the United Kingdom and 120 stores operating under the "Video Towne", "Alfalfa", "Movies at Home" and "Movieland" trade names. The Blockbuster Video system operates in 49 states and 10 foreign countries. Music Retailing. Through music stores operating under various trade names, including "Blockbuster Music Plus", "Sound Warehouse", "Music Plus", "Record Bar", "Tracks", "Turtle's" and "Rhythm and Views", Blockbuster is one of the largest specialty retailers of prerecorded music in the United States, with 511 stores operating throughout the United States as of December 31, 1993. Blockbuster is also a partner in an international joint venture with Virgin Retail Group Limited ("Virgin") to develop music "Megastores" in Continental Europe, Australia and the United States. The joint venture currently owns interests in and operates 20 "Megastores." Filmed Entertainment. Blockbuster has interests in the filmed entertainment industry through its investment in Spelling Entertainment Group Inc. (together with its subsidiaries, "Spelling Entertainment"), which operates in a broad range of filmed entertainment businesses, supported by an extensive library of television series, feature films, television movies, mini-series and specials. Blockbuster owned approximately 70.5% of Spelling Entertainment's outstanding shares of common stock and approximately 39% of Republic Pictures' outstanding shares of common stock as of December 31, 1993. In April 1994, a wholly owned subsidiary of Spelling Entertainment merged with and into Republic Pictures Corporation ("Republic Pictures") and Republic Pictures became a wholly owned subsidiary of Spelling Entertainment. Other Entertainment. As of December 31, 1993, Blockbuster owned approximately 19.1% of the outstanding shares of common stock of Discovery Zone, Inc.

	("Discovery Zone"). Discovery Zone owns, operates and franchises indoor recreational facilities for children ("Discovery Zone FunCenters"). Blockbuster currently operates 47 Discovery Zone facilities as a franchisee of Discovery Zone and has rights to develop additional Discovery Zone facilities, directly and in a joint venture with Discovery Zone.
Conversion of the Blockbuster Common Stock	At the Blockbuster Effective Time, each outstanding share of Blockbuster Common Stock (other than shares of Blockbuster Common Stock owned by Viacom or any direct or indirect wholly owned subsidiary of Viacom or of Blockbuster and other than shares of Blockbuster Common Stock held by stockholders who have demanded and perfected appraisal rights, if available, under the DGCL) will be converted into the right to receive (i) 0.08 of a share of Viacom Class A Common Stock, (ii) 0.60615 of a share of Viacom Class B Common Stock and (iii) up to an additional 0.13829 of a share of Viacom Class B Common Stock, with such number of shares depending on market prices of Viacom Class B Common Stock during the year following the Blockbuster Effective Time, evidenced by one variable common right (a "VCR" and, collectively, the "Blockbuster Merger Consideration").
Variable Common Rights	The VCRs represent the right to receive shares of Viacom Class B Common Stock under certain circumstances on the first anniversary of the Blockbuster Effective Time (the "VCR Conversion Date"). The number of shares of Viacom Class B Common Stock into which the VCRs will convert will generally be based upon the value of Viacom Class B Common Stock (the "Class B Value") determined during the 90 trading day period (the "VCR Valuation Period") immediately preceding the VCR Conversion Date. The Class B Value will be equal to the average closing price of a share of Viacom Class B Common Stock during the 30 consecutive trading days in the VCR Valuation Period which yields the highest average closing price of a share of Viacom Class B Common Stock. In the event that the Class B Value is more than $40 per share but less than $48 per share, each VCR will convert into 0.05929 of a share of Viacom Class B Common Stock on the VCR Conversion Date. If the Class B Value is $40 per share or below, the number of shares of Viacom Class B Common Stock into which each VCR will convert on the VCR Conversion Date will increase ratably to the maximum of 0.13829 of a share of Viacom Class B Common Stock, which will occur if the Class B Value is $36 per share or below. If the Class B Value is $48 per share or above, the number of shares of Viacom Class B Common Stock into which the VCR will convert on the VCR Conversion Date will decrease ratably to zero, which will occur if the Class B Value is $52 per share or above.

	Notwithstanding the calculation in the above paragraph, the number of shares of Viacom Class B Common Stock into which each VCR will convert on the VCR Conversion Date will not exceed 0.05929 of a share of Viacom Class B Common Stock if the average of the closing prices for a share of Viacom Class B Common Stock exceeds $40 per share during any 30 consecutive trading day period following the Blockbuster Effective Time and prior to the VCR Conversion Date. In the event that during any such period such average price exceeds $52 per share, the VCRs will terminate and have no value and holders thereof will have no further rights with respect to the VCRs. The dollar amounts are subject to certain downward adjustments in connection with substantial declines in the Standard & Poor's 400 Index. Certain days are not included as "trading days" if the number of shares of Viacom Class B Common Stock traded on such days is below specified levels.
CERTAIN CONSIDERATIONS	Stockholders of Viacom and Paramount should carefully evaluate the matters set forth under "Certain Considerations." Factors to be considered, among other things, include the potential for fluctuations in the value of the Paramount Merger Consideration. Paramount stockholders should also consider that, following consummation of the Paramount Merger and the Mergers, voting control of the combined company will be held by a single stockholder (although certain provisions of the Paramount Merger Agreement and the Blockbuster Merger Agreement restrict the ability of certain large stockholders from engaging in going private transactions). Paramount stockholders should also consider the total indebtedness of Viacom after the Paramount Merger and the Mergers, including the maturity of such debt. Finally, stockholders should consider the changing competitive environment of the entertainment and telecommunications industries and the consummation of the Blockbuster Merger.
MANAGEMENT AFTER THE MERGERS	
Executive Officers.....	Sumner M. Redstone, currently the Chairman of the Board of Viacom and Paramount, will remain Chairman of the Board of the combined company. Assuming consummation of the Blockbuster Merger, H. Wayne Huizenga, currently the Chairman of the Board and Chief Executive Officer of Blockbuster and a Director of Viacom and Paramount, will become Vice Chairman of the combined company. Frank J. Biondi, Jr., currently President, Chief Executive Officer and Director of Viacom and Paramount, will remain President, Chief Executive Officer of the combined company.
Directors.....	At the Viacom Annual Meeting, holders of Viacom Class A Common Stock will consider and vote upon the election of 10 directors.
FINANCIAL MATTERS AFTER THE MERGERS	
Accounting Treatment.....	The Mergers will be accounted for by Viacom under the "purchase" method of accounting in accordance with generally accepted accounting principles. Therefore, the

	aggregate consideration paid by Viacom in connection with the Mergers will be allocated to both Paramount's and Blockbuster's assets and liabilities based on their fair values, with any excess being treated as goodwill. The assets and liabilities and results of operations of Paramount (adjusted for minority ownership interests from the date of the purchase of the shares of Paramount Common Stock pursuant to the Offer through the Paramount Effective Time) were consolidated into the assets and liabilities and results of operations of Viacom as of March 1, 1994. The assets and liabilities and results of operations of Blockbuster will be consolidated into the assets and liabilities and results of operations of Viacom subsequent to the Blockbuster Effective Time.
Common Stock Dividend Policy After the Paramount Merger and the Mergers.....	It is the current intention of the Viacom Board not to pay cash dividends on the Viacom Class A Common Stock or Viacom Class B Common Stock following the Paramount Merger and the Mergers. Future dividends will be determined by Viacom's Board of Directors in light of Viacom's alternative opportunities for investment and the earnings and financial condition of Viacom and its subsidiaries, among other factors.
TRADEMARKS AND TRADE NAMES	Viacom. The following trademarks, trade names and service marks are used in this Proxy Statement/Prospectus and are proprietary to Viacom: Viacom Logo(R); MTV: MUSIC TELEVISION(R); NICKELODEON(R); NICK AT NITE(R); MTV EUROPETM; MTV LATINOTM; NICKELODEON UKTM; VH-1/VIDEO HITS ONE(R); SHOWTIME(R); THE MOVIE CHANNELTM; FLIXTM; SHOWTIME SATELLITE NETWORKSTM; SETTM PAY PER VIEW; THE REN & STIMPY SHOWTM; RUGRATS(R); NICKTOONS(R); DOUGTM; BEAVIS & BUTT-HEADTM; ROCKO'S MODERN LIFETM; DRACULA UNLEASHEDTM; and UNPLUGGEDTM. Paramount. The trademarks and trade names used in this Proxy Statement/Prospectus in connection with Paramount and its businesses are proprietary or licensed to Paramount or its subsidiaries. Blockbuster. The following trademarks and trade names are used in this Proxy Statement/Prospectus and are proprietary to Blockbuster: BLOCKBUSTER(R); BLOCKBUSTER VIDEO(R); BLOCKBUSTER ENTERTAINMENTTM; MUSIC PLUS(R) and design; SOUND WAREHOUSE(R); TRACKS MUSIC-VIDEO(R) and design; TURTLE'S(R); VIDEOTOWNE ENTERTAINMENT(R) and design; RECORD BAR(R); and RHYTHM AND VIEWS(R) and design.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF
VIACOM
(IN MILLIONS, EXCEPT PER SHARE DATA AND RATIOS)

The following table sets forth certain selected historical consolidated financial data of Viacom and has been derived from and should be read in conjunction with the audited consolidated financial statements of Viacom, including the notes thereto, and the unaudited interim consolidated financial statements of Viacom, including the notes thereto, which are incorporated by reference in this Proxy Statement/Prospectus. See "Incorporation of Certain Documents by Reference." The notes to the audited consolidated financial statements and unaudited interim consolidated financial statements disclose, among other matters, certain business acquisitions and dispositions, certain other transactions, and accounting changes. Unaudited interim data for the three months ended March 31, 1994 and 1993 reflect, in the opinion of management of Viacom, all adjustments (consisting only of normal recurring adjustments, except for the merger-related charges associated with the Paramount Merger) considered necessary for a fair presentation of such data. Results of operations for the three months ended March 31, 1994 are not necessarily indicative of results which may be expected for any other interim or annual period.

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	1994(a)	1993	1993(b)	1992(c)	1991	1990	1989(d)
RESULTS OF OPERATIONS DATA:							
Revenues	$ 878.4	$ 470.7	$ 2,004.9	$ 1,864.7	$ 1,711.6	$ 1,599.6	$ 1,436.2
Earnings (loss) from operations	(300.2)	90.2	385.0	347.9	312.2	223.8	144.7
Earnings (loss) before income taxes	(352.3)	102.1	301.8	155.6	8.3	(70.4)	144.9
Net earnings (loss) before extraordinary items and cumulative effect of change in accounting principle	(431.6)	70.6	169.5	66.1	(46.6)	(89.8)	131.1
Net earnings (loss)	(431.6)	81.0	171.0	49.0	(49.7)	(89.8)	131.1
Net earnings (loss) attributable to common stock	$ (454.1)	$ 81.0	$ 158.2	$ 49.0	$ (49.7)	$ (89.8)	$ 113.6
Net earnings (loss) per common share:							
Net earnings (loss) before extraordinary items and cumulative effect of change in accounting principle	$ (3.59)	$ .59	$ 1.30	$ .55	$ (.41)	$ (.84)	$ 1.06
Extraordinary items	--	--	(.07)	(.14)	(.03)	--	--
Cumulative effect of change in accounting principle	--	.08	.08	--	--	--	--
Net earnings (loss)	$ (3.59)	$ .67	$ 1.31	$ .41	$ (.44)	$ (.84)	$ 1.06
RATIO OF EARNINGS TO FIXED CHARGES	(e)	3.2x	2.8x	1.8x	1.0x	(e)	1.4x

	AT MARCH 31,	AT DECEMBER 31,				
	1994	1993	1992	1991	1990	1989
BALANCE SHEET DATA:						
Total assets	$16,336.2	$ 6,416.9	$ 4,317.1	$ 4,188.4	$ 4,027.9	$ 3,753.0
Total debt, including current maturities	7,267.1	2,433.3	2,397.0	2,321.0	2,537.3	2,283.2
Stockholders' equity	3,510.4	2,718.1	756.5	699.5	366.2	455.9
Book value per common share	$ 11.92	$ 7.60	$ 6.28	$ 5.82	$ 3.43	$ 4.27

See notes to selected historical consolidated financial data of Viacom.

(a) Results of operations for the first quarter of 1994 reflect the results of Paramount for the month of March and merger-related charges of $332.1 million which principally relate to adjustments of programming assets based upon new management strategies and additional programming sources resulting from the merger with Paramount.

(b) During the first quarter of 1993, Viacom adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," on a prospective basis and recognized a cumulative benefit from a change in accounting principle of $10.3 million.

As part of the settlement of the Time Warner antitrust lawsuit, Viacom sold the stock of Viacom Cablevision of Wisconsin, Inc. to Warner Communications Inc., effective January 1, 1993, resulting in a pre-tax gain of approximately $55 million.

During the third quarter of 1993, Viacom International recognized an after-tax extraordinary loss from the early extinguishment of debt of $8.9 million (net of a tax benefit of approximately $6.1 million) related to the redemption, on July 15, 1993, of the $298 million principal amount outstanding of the 11.8% Senior Subordinated Notes.

(c) Results of operations for the year ended December 31, 1992 reflect a reserve for litigation of approximately $33 million related to a summary judgment against Viacom in a dispute with CBS Inc. Additionally, a gain of approximately $35 million related to the Time Warner antitrust lawsuit was recognized in the third quarter of 1992.

Results of operations for the year ended December 31, 1992 also include an after-tax extraordinary loss of $17.1 million (net of a tax benefit of $11.3 million) from the early extinguishment of the 11.5% Senior Subordinated Reset Notes and 14.75% Senior Subordinated Discount Debentures.

(d) The results of operations for the year ended December 31, 1989 reflect a pre-tax gain of $313.1 million on the sale of the Long Island and Cleveland cable systems.

(e) Earnings of Viacom were insufficient to cover fixed charges. Additional earnings required to cover fixed charges of Viacom were $343.6 million and $66.2 million for the three months ended March 31, 1994 and the year ended December 31, 1990, respectively.

Certain Acquisitions and Dispositions

In April 1994, Viacom sold its one-third partnership interest in LIFETIME for approximately $317.6 million.

Pursuant to the Offer, on March 11, 1994, Viacom completed its purchase of 61,657,432 shares of Paramount Common Stock, constituting a majority of the shares outstanding, at a price of $107 per share in cash.

On August 30, 1991, Viacom increased its interest in MTV Europe to 100% through the purchase of the 50.01% interest held by an affiliate of Mirror Group Newspapers. As consideration for the purchase, which was valued at approximately $65 million, Viacom issued 2,210,884 shares of Viacom Class B Common Stock.

During 1990, Viacom purchased five radio stations for approximately $121.3 million in the aggregate. These stations included: KOFY-FM (now KSRY-FM), San Francisco, California; KLRS-FM (now KSRI-FM), Santa Cruz/San Jose, California; KJOI-FM (now KYSR-FM), Los Angeles, California; and KHOW-AM and KSYY-FM (now KHOW-FM), Denver, Colorado (which were exchanged for KNDD-FM, Seattle, Washington during 1992).

Cash Dividends

Viacom has not declared cash dividends with respect to the Viacom Common Stock for any of the periods presented.

Viacom Class B Common Stock

Pursuant to the Blockbuster Subscription Agreement, on March 10, 1994, Viacom sold 22,727,273 shares of Viacom Class B Common Stock to Blockbuster at a price of $55.00 per share.

Cancellation of Series A Preferred Stock and Viacom Class B Common Stock Owned by Blockbuster

If the Blockbuster Merger is consummated, the Series A Preferred Stock and Viacom Class B Common Stock then owned by Blockbuster will be cancelled and will no longer be outstanding.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF PARAMOUNT
(IN MILLIONS, EXCEPT PER SHARE DATA)

The following table sets forth certain selected historical consolidated financial data of Paramount and has been derived from and should be read in conjunction with the audited consolidated financial statements of Paramount, including the notes thereto, and the unaudited interim consolidated financial statements of Paramount, including the notes thereto, which are incorporated by reference in this Proxy Statement/Prospectus. See "Incorporation of Certain Documents by Reference." The notes to the audited consolidated financial statements and unaudited interim consolidated financial statements disclose, among other matters, certain business acquisitions and dispositions, certain other transactions and accounting changes. Unaudited interim data for the nine months ended January 31, 1994 and 1993 and for the six months ended April 30, 1992 reflect, in the opinion of management of Paramount, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of such data. Results of operations for the six months ended April 30, 1993 and the interim nine months ended January 31, 1994 are not necessarily indicative of results which may be expected for any other interim or annual period. In 1993, Paramount changed its fiscal year end from October 31 to April 30. In 1994, Paramount caused its fiscal period to be the eleven month period ended March 31, 1994. Subsequently, Paramount's fiscal year end will be December 31 to conform with that of Viacom.

	NINE MONTHS ENDED JANUARY 31,		SIX MONTHS ENDED APRIL 30,		YEAR ENDED OCTOBER 31,			
	1994(a)	1993	1993(b)	1992	1992	1991(c)	1990	1989(d)
RESULTS OF OPERATIONS DATA:								
Revenues	$ 3,757.0	$ 3,210.1	$ 1,898.1	$ 1,998.5	$ 4,264.9	$ 3,895.4	$ 3,869.0	$ 3,391.6
Earnings (loss) from operations	298.0	320.1	(10.1)	77.8	396.1	157.8	304.2	192.9
Earnings (loss) from continuing operations before income taxes	277.8	327.4	(16.8)	68.7	397.3	179.7	381.0	19.1
Net earnings (loss) from continuing operations before extraordinary item and cumulative effect of changes in accounting principles	180.6	225.6	(9.1)	48.7	274.2	127.6	264.4	17.3
Net earnings (loss)	$ 180.6	$ 149.9	$ (76.0)	$ 48.7	$ 265.4	$ 127.6	$ 264.4	$ 1,414.7
Net earnings (loss) per share:								
Net earnings (loss) from continuing operations before extraordinary item and cumulative effect of changes in accounting principles	$ 1.50	$ 1.90	$ (.08)	$ .41	$ 2.31	$ 1.08	$ 2.20	$ .14
Discontinued operations	--	--	--	--	--	--	--	12.12
Extraordinary item	--	(.07)	--	--	(.08)	--	--	--
Cumulative effect of changes in accounting principles	--	(.57)	(.57)	--	--	--	--	(.48)
Net earnings (loss)	$ 1.50	$ 1.26	$ (.65)	$ .41	$ 2.23	$ 1.08	$ 2.20	$ 11.78
Cash dividends declared per common share	$ .60	$ .60	$ .40	$ .375	$ .775	$ .70	$ .70	$ .70

	1988
RESULTS OF OPERATIONS DATA:	
Revenues	$ 3,055.9
Earnings (loss) from operations	375.5
Earnings (loss) from continuing operations before income taxes	268.7
Net earnings (loss) from continuing operations before extraordinary item and cumulative effect of changes in accounting principles	152.8
Net earnings (loss)	$ 384.7
Net earnings (loss) per share:	
Net earnings (loss) from continuing operations before extraordinary item and cumulative effect of changes in accounting principles	$ 1.27
Discontinued operations	1.94
Extraordinary item	--
Cumulative effect of changes in accounting principles	--
Net earnings (loss)	$ 3.21
Cash dividends declared per common share	$ .675

AT JANUARY 31,	AT APRIL 30,	AT OCTOBER 31,				
1994	1993	1992	1991	1990	1989	1988

BALANCE SHEET DATA:							
Total assets	$ 7,416.8	$ 6,874.8	$ 7,057.0	$ 6,654.7	$ 6,541.0	$ 7,060.0	$ 5,378.1
Long-term debt, including current maturities	1,010.7	817.1	822.1	718.2	733.8	744.4	1,507.5
Stockholders' equity	4,186.8	3,902.1	4,015.5	3,854.8	3,783.8	3,666.8	2,266.2
Book value per common share	$ 34.35	$ 33.01	$ 34.19	$ 32.73	$ 32.24	$ 30.56	$ 19.50

See notes to selected historical consolidated financial data of Paramount.

NOTES TO SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF PARAMOUNT

Effective May 1, 1993, Paramount adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," by restating its prior period financial statements beginning November 1, 1988. The cumulative effect of this accounting change was a charge of $56.5 million, which is included in net earnings for the year ended October 31, 1989.

(a) Reflects operating losses at USA Networks, Paramount's 50%-owned cable networks, due largely to a $78 million pre-tax charge, the majority of which was recorded in December 1993, to adjust the carrying value of certain broadcast rights to net realizable value because of the under performance of certain series programming of which Paramount recorded its share.

(b) Includes an after-tax charge of $26.0 million, related to the write-down to net realizable value of certain Publishing operations real estate, expected to be sold, and a provision for relocation costs in connection with Paramount's planned move of its Publishing operations and Paramount's corporate headquarters.

Effective November 1, 1992, Paramount adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Paramount has elected to record the cumulative effect of the accounting change as a charge against income as of November 1, 1992, resulting in a one-time charge of $66.9 million, net of income taxes of $34.5 million.

(c) Net earnings for the year ended October 31, 1991 includes a $35.4 million after-tax charge, the majority of which was related to a provision for write-downs of certain motion picture and television development commitments and entertainment reorganization costs.

(d) During the year ended October 31, 1989, Paramount completed a major reevaluation of its Publishing business and, as a result, recorded an $84.3 million after-tax charge, a portion of which was related to the write-down of obsolete inventory and the carrying value of pre-publication costs to reflect a more conservative estimate of the life cycle of various publishing products. Further, this charge included provisions related to certain royalty advances, book returns and capitalized database costs, as well as a charge related to a restructuring plan to modify certain publishing systems and other adjustments to the carrying value of certain assets and liabilities on Publishing's balance sheet.

Includes an after-tax gain of approximately $1.2 billion on the sale of Associates First Capital Corporation, Paramount's former consumer/commercial finance business. In addition, Paramount recorded an after-tax charge of $30.8 million to provide for additional costs applicable to certain operations previously discontinued. Earnings for fiscal 1989 also include an after-tax charge of $48.3 million for costs incurred in Paramount's bid to acquire Time Incorporated. In addition, in fiscal 1989 Paramount sold Prentice Hall Information Services and Prentice Hall Information Network, two units of its Publishing operations, resulting in an after-tax gain of $7.4 million.

In December 1988, Paramount completed the sale of a 50% interest in its domestic motion picture theater operations for approximately half of Paramount's purchase price. The results for fiscal 1989 reflect the gain on this sale of $5.6 million, net of income taxes of $3.3 million.

Certain Acquisitions and Dispositions

In February 1994, Paramount acquired Macmillan Publishing Company and certain other publishing assets of Macmillan, Inc. (together, "Macmillan") for approximately $553 million (the "Macmillan Acquisition").

In September 1993, Paramount purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately $105 million.

In May 1993, Paramount purchased the remaining 80% it did not own of Canada's Wonderland, Inc., later renamed Paramount Canada's Wonderland, Inc., a Canadian theme park, for approximately $52 million.

In August and October 1992, Paramount acquired Kings Entertainment Company and Kings Island Company, respectively, later renamed Paramount Parks, which own and operate regional theme parks, for a total of approximately $400 million.

In November 1991, Paramount acquired Macmillan Computer Publishing, later renamed Prentice Hall Computer Publishing, a leading publisher of personal computer and related technical books, for approximately $158 million.

In March 1990, Paramount acquired Computer Curriculum Corporation, which develops and markets computer-based learning systems, for approximately $75 million.

In December 1989, Paramount acquired a preferred and common stock equity interest in Paramount Stations Group ("PSG"), formerly TVX Broadcast Group Inc., which owns and operates independent television stations, for approximately $110 million. Paramount also acquired PSG debt obligations for approximately $34 million. In April 1990, Paramount was granted the right by the FCC to assume control of PSG. Paramount did so by converting preferred stock into common stock and, consequently, began reflecting its operations on a consolidated basis. In July and October 1990, Paramount purchased additional shares of PSG stock for $3.5 million and $4.3 million, respectively. In February 1991, Paramount, through a merger, acquired the remaining outstanding shares of PSG for approximately $62 million.

In October 1989, Paramount sold Associates First Capital Corporation, its former consumer/commercial finance business, for $3.35 billion. Paramount realized net proceeds of approximately $2.6 billion and reported a gain of approximately $1.2 billion, net of income taxes of $763.4 million. In addition, in fiscal 1989 Paramount sold Prentice Hall Information Services and Prentice Hall Information Network, two units of its Publishing operations, resulting in an after-tax gain of $7.4 million.

SELECTED UNAUDITED PRO FORMA FINANCIAL DATA OF PARAMOUNT
(IN MILLIONS, EXCEPT PER SHARE DATA)

The following selected unaudited pro forma financial data of Paramount for the two months ended February 28, 1994 and the twelve months ended January 31, 1994 gives effect to, on a purchase accounting basis, (i) the Macmillan Acquisition, (ii) the acquisition of television station WKBD-TV in Detroit ("WKBD") in September 1993 and (iii) the acquisition of the remaining 80% interest in Paramount Canada's Wonderland ("PCW") theme park in May 1993. The unaudited pro forma results of operations data for the two months ended February 28, 1994 was prepared based upon historical consolidated statements of operations of Paramount and Macmillan for the two months ended February 28, 1994. The unaudited pro forma Paramount results of operations data for the twelve months ended January 31, 1994 was prepared based upon the historical consolidated statements of operations of (i) Paramount for the nine months ended January 31, 1994 and three months ended April 30, 1993 combined, (ii) Macmillan for the twelve months ended December 31, 1993, (iii) WKBD for the seven months ended August 31, 1993 and (iv) PCW for the three months ended April 30, 1993. Financial information of WKBD and PCW subsequent to their acquisition is included in the Paramount historical financial information. The unaudited pro forma results of operations data present the transactions as if they had occurred at the beginning of each period presented. The selected unaudited pro forma financial data was derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Consolidated Financial Statements and the notes thereto appearing elsewhere in this Proxy Statement/Prospectus. See "Paramount, Macmillan and Other Businesses Acquired Unaudited Pro Forma Condensed Consolidated Financial Statements." The unaudited pro forma data are not necessarily indicative of the results of operations that would have occurred if the aforementioned transactions had been in effect at the beginning of each of the periods presented nor are they necessarily indicative of future operating results.

	TWO MONTHS ENDED FEBRUARY 28, 1994	TWELVE MONTHS ENDED JANUARY 31, 1994
Revenues	$ 717.2	$ 5,024.0
Earnings (loss) from operations	(54.3)	299.5
Net earnings (loss) before cumulative effect of change in accounting principle	(55.7)	153.1
Net earnings (loss) per common share before cumulative effect of change in accounting principle	$ (.46)	$ 1.28

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF
BLOCKBUSTER
(IN MILLIONS, EXCEPT PER SHARE DATA)

The following table sets forth certain selected historical consolidated financial data of Blockbuster and has been derived from and should be read in conjunction with the audited consolidated financial statements of Blockbuster, including the notes thereto, and the unaudited interim consolidated financial statements of Blockbuster, including the notes thereto, which are incorporated by reference in this Proxy Statement/Prospectus. See "Incorporation of Certain Documents by Reference." The notes to the audited consolidated financial statements and unaudited interim consolidated financial statements disclose, among other matters, certain business acquisitions and certain other transactions. Unaudited interim data for the three months ended March 31, 1994 and 1993 reflect, in the opinion of management of Blockbuster, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of such data. Results of operations for the three months ended March 31, 1994 are not necessarily indicative of results which may be expected for any other interim or annual period.

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	1994	1993	1993(a)	1992(b)	1991(c)	1990	1989(d)
RESULTS OF OPERATIONS DATA:							
Revenues	$ 696.5	$ 433.4	$ 2,227.0	$ 1,315.8	$ 961.6	$ 699.7	$ 421.9
Earnings from operations	119.6	76.9	423.0	242.9	161.1	122.1	76.9
Earnings before income taxes	115.2	70.4	389.8	231.2	141.0	103.7	67.5
Net earnings	$ 72.6	$ 44.7	$ 243.6	$ 148.3	$ 89.1	$ 65.9	$ 42.7
Net earnings per share--assuming full dilution(e)	$ .29	$ .22	$ 1.10	$ .76	$ .51	$ .39	$ .26
Cash dividends declared per common share	$ .025	$ .02	$ .095	$ .06	--	--	--

	AT MARCH 31,	AT DECEMBER 31,				
	1994	1993	1992	1991	1990	1989
BALANCE SHEET DATA:						
Total assets	$ 4,466.7	$ 3,521.0	$ 1,540.7	$ 893.3	$ 702.1	$ 468.9
Total debt, including current maturities	1,997.0	612.6	373.5	214.2	253.9	178.0
Stockholders' equity	1,854.3	2,123.4	787.3	480.5	319.4	210.2
Book value per common share	$ 7.45	$ 8.58	$ 3.98	$ 2.84	$ 2.04	$ 1.39

SEE NOTES TO SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF BLOCKBUSTER.

NOTES TO SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF BLOCKBUSTER

Financial data for all periods presented is restated to reflect Blockbuster's merger with WJB Video Limited Partnership and certain of its affiliates ("WJB") in August 1993, which was accounted for under the pooling of interests method of accounting.

(a) In April 1993, Blockbuster acquired a majority of Spelling Entertainment's outstanding common stock. In November 1993, Blockbuster acquired all of the outstanding capital stock of Super Club Retail Entertainment Corporation and subsidiaries ("Super Club"). These transactions were accounted for under the purchase method of accounting and, accordingly, the results of operations of Spelling Entertainment and Super Club subsequent to their acquisition are included in Blockbuster's consolidated financial statements. At December 31, 1993, Blockbuster owned 45,658,640 shares of common stock of Spelling Entertainment, representing approximately 70.5% of its outstanding shares.

(b) In February 1992, Blockbuster acquired substantially all of the outstanding ordinary shares of Cityvision plc ("Cityvision"). The transaction was accounted for under the purchase method of accounting and, accordingly, the results of operations of Cityvision subsequent to that time are included in Blockbuster's consolidated financial statements. In November 1992, Blockbuster acquired all of the outstanding common stock of Sound Warehouse, Inc. (together with its subsidiary, "Sound Warehouse") and Show Industries, Inc. ("Show Industries"). These transactions were accounted for under the purchase method of accounting and, accordingly, the results of operations of Sound Warehouse and Show Industries subsequent to that time are included in Blockbuster's consolidated financial statements.

(c) Effective April 1991, Blockbuster acquired all of the outstanding shares of capital stock of Erol's Inc. ("Erol's"). The transaction was accounted for under the purchase method of accounting and, accordingly, the results of operations of Erol's subsequent to that time are included in Blockbuster's consolidated financial statements.

(d) In January 1989, a wholly owned subsidiary of Blockbuster was merged into Major Video Corp. ("Major Video"). In August 1989, Blockbuster acquired Video Superstore Master Limited Partnership ("VSMLP"), then its largest franchise owner. These transactions were accounted for under the pooling of interests method of accounting. Accordingly, financial data has been restated as if Blockbuster, Major Video and VSMLP had operated as one entity since inception.

(e) Net earnings per share has been adjusted to reflect two-for-one splits of Blockbuster Common Stock in May 1989 and March 1991.

SELECTED UNAUDITED PRO FORMA FINANCIAL DATA OF
BLOCKBUSTER
(IN MILLIONS, EXCEPT PER SHARE DATA)

The following selected unaudited pro forma financial data of Blockbuster for the three months ended March 31, 1994 gives effect to the $1.25 billion investment in Viacom and related interest expense incurred on borrowings used to finance such investment. The following selected financial data of Blockbuster for the year ended December 31, 1993, gives effect to (i) the acquisition of Super Club, (ii) the acquisition of a majority of the outstanding common stock of Spelling Entertainment, (iii) a $600 million and a $1.25 billion investment in Viacom and related borrowings to finance such investments and (iv) the sale of 14.6 million shares of Blockbuster common stock. All of the aforementioned acquisitions were accounted for under the purchase method of accounting. The unaudited pro forma statement of operations data for the three months ended March 31, 1994 was prepared based upon the statement of operations of Blockbuster for the three months ended March 31, 1994. The unaudited pro forma statement of operations data for the year ended December 31, 1993 was prepared based upon the results of operations of Blockbuster for the year ended December 31, 1993, Super Club for the eleven months ended November 20, 1993 and Spelling Entertainment for the three months ended March 31, 1993. Financial information subsequent to the acquisition of the majority of the outstanding common stock of Spelling Entertainment and the acquisition of Super Club is included in the Blockbuster historical financial information. The unaudited pro forma statements of operations data present the pro forma transactions listed above as if they had occurred at the beginning of the period presented. The balance sheet of Blockbuster at March 31, 1994 reflects the pro forma transactions listed above. The selected unaudited pro forma financial data was derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Consolidated Statements of Operations of Blockbuster and the notes thereto appearing elsewhere in this Proxy Statement/Prospectus. See "Blockbuster, Super Club and Spelling Entertainment Unaudited Pro Forma Condensed Consolidated Statement of Operations." The unaudited pro forma financial data is not necessarily indicative of the results of operations that would have occurred if the aforementioned transactions had been in effect at the beginning of the periods indicated nor are they necessarily indicative of future operating results or financial position.

	THREE MONTHS ENDED MARCH 31, 1994	YEAR ENDED DECEMBER 31, 1993
RESULTS OF OPERATIONS DATA:		
Revenues	$ 696.5	$ 2,595.2
Earnings from operations	119.6	435.6
Net earnings from continuing operations	66.0	225.3
Net earnings per share from continuing operations--assuming full dilution	$ 0.26	$ 0.92

SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA OF
VIACOM-PARAMOUNT/THE COMBINED COMPANY
(IN MILLIONS, EXCEPT PER SHARE DATA AND RATIOS)

The following selected unaudited pro forma combined financial data gives effect to (i) the Paramount Merger, which will be accounted for under the purchase method of accounting, (ii) the elimination of all of the outstanding Paramount Common Stock, (iii) the issuance of the Paramount Merger Consideration, (iv) the acquisitions by Paramount described under "Selected Unaudited Pro Forma Financial Data of Paramount," (v) the Blockbuster Merger, which will be accounted for under the purchase method of accounting, (vi) the elimination of all of the outstanding Blockbuster Common Stock, (vii) the elimination of all the Series A Preferred Stock and Viacom Class B Common Stock held by Blockbuster, (viii) the issuance of the Blockbuster Merger Consideration, (ix) the pro forma events of Blockbuster described under "Selected Unaudited Pro Forma Financial Data of Blockbuster" and (x) the sale of Viacom's one-third partnership interest in LIFETIME (items (i) through (iv) being, collectively, the "Paramount Pro Forma Events," items (v) through (ix) being, collectively, the "Blockbuster Pro Forma Events," and, together with the Paramount Pro Forma Events and item (x), the "Pro Forma Events"), as if such events occurred at the beginning of the period presented for results of operations data. The unaudited pro forma statement of operations data for the three months ended March 31, 1994 was prepared based upon the statements of operations of Viacom and Blockbuster for the three months ended March 31, 1994 and of Paramount for the two months ended February 28, 1994. The unaudited pro forma statements of operations data for the year ended December 31, 1993 was prepared based upon Viacom and Blockbuster for the year ended December 31, 1993 and of Paramount for the nine months ended January 31, 1994 combined with the three months ended April 30, 1993. The following selected unaudited pro forma combined balance sheet data was prepared based upon the balance sheet data of Viacom and Blockbuster at March 31, 1994. Financial information for Paramount subsequent to the Offer is included in Viacom's historical information. Such unaudited pro forma balance sheet data give effect to the Pro Forma Events as if they occurred on March 31, 1994. The selected unaudited pro forma combined financial data was derived from, and should be read in conjunction with, the unaudited pro forma combined condensed financial statements and the notes thereto appearing elsewhere in this Proxy Statement/Prospectus. See "Unaudited Pro Forma Combined Condensed Financial Statements." The unaudited pro forma data are not necessarily indicative of the combined results of operations or financial position that would have occurred if the Paramount Pro Forma Events or the Pro Forma Events, as the case may be, had been in effect at the beginning of the period or on the date indicated nor are they necessarily indicative of future operating results or financial position of Viacom-Paramount or the combined company.

	VIACOM-PARAMOUNT*		COMBINED COMPANY**	
	THREE MONTHS ENDED OR AT MARCH 31, 1994	YEAR ENDED DECEMBER 31, 1993	THREE MONTHS ENDED OR AT MARCH 31, 1994	YEAR ENDED DECEMBER 31, 1993
RESULTS OF OPERATIONS DATA:				
Revenues	$ 1,595.6	$ 7,028.9	$ 2,292.1	$ 9,624.1
Earnings (loss) from operations	(48.5)	535.5	47.2	875.7
Earnings (loss) before extraordinary item, cumulative effect of change in accounting principle and preferred stock dividend requirements	(337.7)	4.5	(300.4)	116.0
Earnings (loss) attributable to common stock before extraordinary item and cumulative effect of change in accounting principle	(360.2)	(85.5)	(315.4)	56.0
Primary earnings (loss) per common share before extraordinary item and cumulative effect of change in accounting principle	$ (1.79)	$ (0.43)	$ (0.89)	$ 0.14
Ratio of earnings to fixed charges	(a)	1.3x	(a)	1.5x
Ratio of earnings to combined fixed charges and preferred stock dividends	(b)	(b)	(b)	1.4x
BALANCE SHEET DATA:				
Total assets	$ 17,888.1	NA	$ 24,663.2	NA
Long-term debt, including current maturities	8,132.0	NA	10,129.0	NA
Stockholders' equity:				
Preferred	1,800.0	NA	1,200.0	NA
Common	3,708.3	NA	8,471.0	NA
Book value per common share	$ 18.50	NA	$ 22.81	NA

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(a) For the three months ended March 31, 1994, pro forma earnings of Viacom-Paramount and the combined company were insufficient to cover pro forma fixed charges. The additional pro forma earnings required to cover pro forma fixed charges would have been $165.1 million for Viacom-Paramount and $91.7 million for the combined company.

(b) Pro forma earnings of Viacom-Paramount and the combined company were insufficient to cover pro forma combined fixed charges and preferred stock dividends. The additional pro forma earnings required

to cover pro forma combined fixed charges and preferred stock dividends would have been $182.7 million for Viacom-Paramount for the three months ended March 31, 1994, $6.3 million for Viacom-Paramount for the year ended December 31, 1993 and $103.4 million for the combined company for the three months ended March 31, 1994.

* Gives effect only to the Paramount Pro Forma Events and item (x) described above.

** Gives effect to all of the Pro Forma Events. See "Certain Considerations--Consummation of the Blockbuster Merger."

COMPARATIVE STOCK PRICES

Viacom Common Stock is listed on the AMEX. Paramount Common Stock and Blockbuster Common Stock are listed on the NYSE. The following tables set forth, for the periods indicated, the high and low sales prices per share of Viacom Common Stock, Paramount Common Stock and Blockbuster Common Stock as reported on the AMEX or the NYSE Composite Transaction Tape, as the case may be.

	VIACOM CLASS A COMMON STOCK(a)		VIACOM CLASS B COMMON STOCK(a)		BLOCKBUSTER COMMON STOCK			PARAMOUNT COMMON STOCK(b)	
QUARTER ENDED	HIGH	LOW	HIGH	LOW	HIGH	LOW	QUARTER ENDED	HIGH	LOW
1992							1992		
March 31.....	$ 37 1/4	$ 32 1/8	$ 36 1/2	$ 31 1/4	$ 15	$ 11 7/8	January 31.....	$ 43 3/8	$ 36 1/2
June 30.....	38 1/2	32 3/8	36 7/8	30 1/2	15 7/8	12 1/8	April 30.....	48 3/4	42 1/2
September 30.....	34 7/8	30 7/8	32 7/8	29	13 3/4	11 1/8	July 31.....	48	43 1/4
December 31.....	44	28 1/8	41 7/8	27	19 1/2	12 3/8	October 31.....	46 3/8	41 1/4
1993							1993		
March 31.....	$ 46 1/2	$ 37 1/2	$ 44 1/8	$ 35 1/4	$ 20 1/8	$ 15 3/4	January 31.....	$ 47 3/8	$ 41 7/8
June 30.....	52 5/8	37 1/8	49 1/2	36	21 7/8	16 3/4	April 30.....	52 5/8	45 5/8
September 30.....	67 1/2	50 1/2	61 1/4	45 3/4	30 1/8	21 3/8	July 31.....	56 5/8	49 1/2
December 31.....	66 1/2	47	60 1/2	40 3/8	34 1/4	24 1/2	October 31.....	81	51
1994							1994		
March 31.....	$ 49 3/4	$ 28 1/8	$ 45	$ 23 3/4	$ 31 3/8	$ 23 3/8	January 31.....	$ 83 1/2	$ 73 1/2
through							April 30.....	80 1/4	36 5/8
June 3, 1994.....	$ 31	$ 24 1/2	$ 29 1/2	$ 21 3/4	$ 29	$ 23 7/8	through June 3, 1994.....	$ 43 3/8	$ 37 3/8

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(a) For the first through fourth quarters of 1992, NAI purchased 40,500, 19,000, 35,900 and 76,200 shares of Viacom Class A Common Stock, and 35,700, 32,100, 44,100 and 139,900 shares of Viacom Class B Common Stock, in each case respectively. For the first through third quarters of 1993, NAI purchased 55,300, 121,800 and 113,100 shares of Viacom Class A Common Stock, and 47,600, 135,100 and 413,600 shares of Viacom Class B Common Stock, in each case respectively. Since the end of the third quarter of 1993, NAI has not purchased any shares of Viacom Common Stock. All purchases were made pursuant to a publicly reported buying program initiated by NAI in August 1987 which has been designed to comply with applicable securities regulations.

(b) Paramount purchased 1,119,500 shares of Paramount Common Stock in the open market between August 13 and October 30, 1992 at an average price of $42.86 and with a range of $42 1/8 to $43 3/4 per share, and it also purchased 479,600 shares of Paramount Common Stock in the open market between November 2, 1992 and January 21, 1993 at an average price of $42.34 and with a range of $41 7/8 to $43 per share. None of Viacom, NAI or Sumner M. Redstone have made any purchases of Paramount Common Stock in the last two fiscal years of Paramount.

On February 1, 1994, the last trading day before the announcement of the terms of the February 4 Merger Agreement, the last sales prices of Viacom Class A Common Stock and Viacom Class B Common Stock and Paramount Common Stock, as reported on the AMEX and the NYSE Composite Transactions Tape, were $39 per share, $34 1/8 per share and $79 7/8 per share, respectively.

On January 6, 1994, the last trading day before the announcement of the Blockbuster Merger Agreement, the last sales prices of Viacom Class A Common Stock and Viacom Class B Common Stock, Blockbuster Common Stock and Paramount Common Stock, as reported on the AMEX and the NYSE Composite Transactions Tape, were $47 per share, $42 3/4 per share, $29 7/8 per share and $78 1/2 per share, respectively.

On June 3, 1994, the last trading day before the printing of this Proxy Statement/Prospectus, the last sales prices of Viacom Class A Common Stock and Viacom Class B Common Stock, Paramount Common Stock and Blockbuster Common Stock, as reported on the AMEX and the NYSE Composite Transactions Tape, were $30 5/8 per share, $28 5/8 per share, $42 5/8 per share and $28 7/8 per share, respectively.

The market prices of Viacom Class A Common Stock, Viacom Class B Common Stock, Paramount Common Stock and Blockbuster Common Stock are subject to fluctuation. As a result, Viacom and Paramount stockholders are urged to obtain current market quotations.

On March 30, 1994, there were approximately 6,912 holders of record of Viacom Class A Common Stock and approximately 6,861 holders of record of Viacom Class B Common Stock. On April 29, 1994, there were approximately 21,997 holders of record of Paramount Common Stock. On February 3, 1994, there were approximately 12,747 holders of record of Blockbuster Common Stock.

COMPARATIVE PER SHARE DATA

Set forth below are historical earnings (loss) before extraordinary item and cumulative effect of change in accounting principle, cash dividends declared and book value per common share data of Viacom, Paramount and Blockbuster, individually, and the respective unaudited pro forma per common share data for Viacom/Paramount and the combined company. Pro forma equivalent per share information of Paramount and Blockbuster is also presented below. Viacom-Paramount and the combined company unaudited pro forma data gives effect to the Paramount Pro Forma Events and Pro Forma Events, respectively, as if such events occurred for balance sheet purposes at the balance sheet dates and for statement of operations purposes at the beginning of the period presented. Unaudited pro forma data for Viacom-Paramount and the combined company was prepared based upon (i) Viacom's and Blockbuster's statement of operations and balance sheet data for the three months ended or at March 31, 1994 and the respective statement of operations data for the twelve months ended December 31, 1993, and (ii) Paramount's statements of operations data for the two months ended February 28, 1994, and for the nine months ended or at January 31, 1994 and the three months ended April 30, 1993. The information set forth below should be read in conjunction with the respective audited and unaudited consolidated financial statements of Viacom, Paramount and Blockbuster, including the notes thereto, and the Combined Company Unaudited Pro Forma Combined Condensed Financial Statements appearing elsewhere in this Proxy Statement/Prospectus.

	NINE MONTHS ENDED OR AT JANUARY 31, 1994	THREE MONTHS ENDED OR AT APRIL 30, 1993
PARAMOUNT--HISTORICAL:		
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle	$ 1.50	$ (0.08)
Cash dividends declared per common share	$ 0.60	$ 0.20
Book value per common share	$ 34.35	$ 33.01

	THREE MONTHS ENDED OR AT MARCH 31, 1994	YEAR ENDED OR AT DECEMBER 31, 1993
BLOCKBUSTER--HISTORICAL:		
Earnings per share before extraordinary item and cumulative effect of change in accounting principle--assuming full dilution	$ 0.29	$ 1.10
Cash dividends declared per common share	$ 0.025	$ 0.095
Book value per common share	$ 7.45	$ 8.58
VIACOM--HISTORICAL:		
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle	$ (3.59)	$ 1.30
Cash dividends declared per common share(a)	--	--
Book value per common share	$ 11.92	$ 7.60

	VIACOM-PARAMOUNT		COMBINED COMPANY(f)	
	THREE MONTHS ENDED OR AT MARCH 31, 1994	YEAR ENDED OR AT DECEMBER 31, 1993	THREE MONTHS ENDED OR AT MARCH 31, 1994	YEAR ENDED OR AT DECEMBER 31, 1993
PRO FORMA:				
Earnings (loss) per share attributable to common stock before extraordinary item and cumulative effect of change in accounting principle	$ (1.79)	$ (0.43)	$ (.89)	$ 0.14
Cash dividends declared per common share(a)	--	--	--	--
Book value per common share	$ 18.50	NA	$ 22.81	NA
PARAMOUNT--PRO FORMA EQUIVALENT PER SHARE INFORMATION:				
Earnings (loss) per share attributable to common stock before extraordinary item and cumulative effect of change in accounting principle(b)	$ (0.83)	$ (0.20)	$ (0.41)	$ 0.06
Cash dividends declared per common share	--	--	--	--
Book value per common share(b)	$ 8.57	NA	$ 10.57	NA
Equivalent market value(c)	$ 79.96	$ 79.96	$ 79.96	$ 79.96

(Footnotes on following page)

	VIACOM-PARAMOUNT		COMBINED COMPANY(f)	
	THREE MONTHS ENDED OR AT MARCH 31, 1994	YEAR ENDED OR AT DECEMBER 31, 1993	THREE MONTHS ENDED OR AT MARCH 31, 1994	YEAR ENDED OR AT DECEMBER 31, 1993
BLOCKBUSTER--PRO FORMA EQUIVALENT PER SHARE INFORMATION:				
Earnings (loss) per share attributable to common stock before extraordinary item and cumulative effect of change in accounting principle(d)	NA	NA	$ (0.61)	$ 0.09
Cash dividends declared per common share	NA	NA	--	--
Book value per common share(d)	NA	NA	$ 15.65	NA
Equivalent market value(e)	NA	NA	$ 22.20	$ 22.20

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(a) Cash dividends declared per common share does not reflect Viacom Preferred Stock dividends paid.

(b) Paramount pro forma per share amounts were calculated assuming the issuance of 0.93065 of a share of Viacom Class B Common Stock in exchange for each of the remaining 61.1 million shares of Paramount Common Stock outstanding (other than shares held in the treasury of Paramount or owned by Viacom or any direct or indirect wholly owned subsidiary of Paramount or Viacom) after consummation of the Offer. This results in stockholders of Paramount receiving approximately 0.46 of a share in exchange for each share of Paramount Common Stock. This factor of 0.46 is applied to the pro forma earnings and book value per common share amounts.

(c) Paramount equivalent market value was calculated by (i) applying the approximate 0.46 exchange ratio to the closing price of the Viacom Class B Common Stock reported on the AMEX Composite Transaction Tape on March 4, 1994 and (ii) adding to such amount (x) cash paid pursuant to the Offer and (y) $17.50 principal amount of Viacom Merger Debentures, 0.93065 of a CVR, 0.5 of a Viacom Three-Year Warrant and 0.3 of a Viacom Five-Year Warrant to be issued by Viacom as part of the Paramount Merger Consideration for each share remaining of Paramount Common Stock outstanding at the Paramount Effective Time. The consideration described in the foregoing clauses (x) and (y) represents $67.68 of the equivalent market value. The estimated trading values as of March 31, 1994 ascribed for illustrative purposes only, and based upon various assumptions and projections, per CVR, Viacom Three-Year Warrant and Viacom Five-Year Warrant by Viacom's financial advisor, were approximately $10, $1 and $2, respectively.

(d) Blockbuster pro forma per share amounts were calculated assuming the issuance of 0.08 of a share of Viacom Class A Common Stock and 0.60615 of a share of Viacom Class B Common Stock in exchange for each of the approximately 249.1 million shares of Blockbuster Common Stock outstanding as of March 31, 1994 (other than shares owned by Viacom or any direct or indirect wholly owned subsidiary of Blockbuster or Viacom) in accordance with the Blockbuster Merger Agreement. This exchange results in stockholders of Blockbuster receiving approximately 0.69 of a share of the combined company in exchange for each share of Blockbuster Common Stock. This factor of 0.69 is applied to the combined company pro forma earnings and book value per common share amounts.

(e) Blockbuster equivalent market value was calculated by (i) applying the 0.08 and 0.60615 share exchange ratios to the closing prices of the Viacom Class A Common Stock and Viacom Class B Common Stock, respectively and (ii) applying the assumed exchange ratio of 0.13829 of a share of Viacom Class B Common Stock per VCR to the closing price of Viacom Class B Common Stock. The VCR market value described in the foregoing clause (ii) represents $3.66 of the equivalent market value. Closing prices of Viacom Class A Common Stock and Viacom Class B Common Stock were based on closing sales prices on the AMEX Composite Transactions Tape on March 31, 1994.

(f) See "Certain Considerations--Consummation of the Blockbuster Merger."

INTRODUCTION

This Proxy Statement/Prospectus is being furnished to stockholders of Viacom in connection with the solicitation of proxies by the Board of Directors of Viacom for use at the Viacom Special Meeting to be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York, on July 7, 1994, at 10:30 a.m., New York time, and at any adjournment or postponement thereof.

This Proxy Statement/Prospectus is also being furnished to stockholders of Viacom in connection with the solicitation of proxies by the Board of Directors of Viacom for use at the Viacom Annual Meeting which is to be held immediately following the Viacom Special Meeting at the same location.

This Proxy Statement/Prospectus is also being furnished to stockholders of Paramount in connection with the solicitation of proxies by the Board of Directors of Paramount for use at the Paramount Special Meeting to be held at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, on July 6, 1994, at 10:00 a.m., local time, and at any adjournment or postponement thereof.

This Proxy Statement/Prospectus also constitutes a prospectus of Viacom with respect to 56,895,733 shares of Viacom Class B Common Stock, $1,069,870,865 principal amount of Viacom Merger Debentures, 56,895,733 CVRs, 30,567,739 Viacom Three-Year Warrants and 18,340,643 Viacom Five-Year Warrants, issuable to the holders of Paramount Common Stock in the Paramount Merger.

THIS PROXY STATEMENT/PROSPECTUS IS NOT A SOLICITATION OF PROXIES WITH RESPECT TO, NOR A PROSPECTUS RELATING TO, THE BLOCKBUSTER MERGER. A SEPARATE JOINT PROXY STATEMENT/PROSPECTUS OF VIACOM AND BLOCKBUSTER RELATING TO THE BLOCKBUSTER MERGER WILL BE SENT TO STOCKHOLDERS OF VIACOM AND BLOCKBUSTER PRIOR TO ANY CONSIDERATION OF THE BLOCKBUSTER MERGER.

BUSINESS

Viacom's principal assets are its 100% ownership of Viacom International and its majority ownership of Paramount. Viacom International is a diversified entertainment and communications company with operations in four principal segments: Networks, Entertainment, Cable Television and Broadcasting. The principal executive offices of Viacom are located at 200 Elm Street, Dedham, Massachusetts 02026.

VIACOM NETWORKS. Viacom Networks is comprised of MTV Networks ("MTVN") and Showtime Networks Inc. ("SNI").

MTV Networks. MTVN operates three 24-hours-a-day, advertiser-supported, basic cable services in the U.S.: MTV: MUSIC TELEVISION, VH-1/VIDEO HITS ONE, and NICKELODEON/NICK AT NITE. Internationally, MTVN operates MTV EUROPE and MTV LATINO. In September 1993, MTVN launched Nickelodeon UK, a joint venture with a subsidiary of British Sky Broadcasting Limited. MTVN has licensing arrangements covering the distribution of regionally specific program services called MTV: MUSIC TELEVISION in Asia, Japan and Brazil.

MTV. At December 31, 1993, MTV was licensed to approximately 52.2 million domestic cable subscribers (based on subscriber counts provided by each cable system). According to the December 1993 sample reports issued by the A.C. Nielsen Company (the "Nielsen Report"), MTV reached approximately 59 million subscriber households. In addition to music videos, MTV offers regularly scheduled youth-oriented programming such as the animated BEAVIS & BUTT-HEAD SHOW and specials such as the Annual MTV Video Music Awards and the MTV Movie Awards, public affairs campaigns and series such as UNPLUGGED. MTV successfully merchandised BEAVIS & BUTT-HEAD in 1993 featuring an album released by Geffen Records and a book published by a division of Simon & Schuster. MTV's CHOOSE OR LOSE political awareness campaign, which included studio interviews with candidates Bill Clinton and Al Gore, extensively promoted the registration of hundreds of thousands of new young voters. MTV's UNPLUGGED features live acoustical performances by artists such as Eric Clapton, Rod Stewart and 10,000 Maniacs. MTV licenses the distribution of UNPLUGGED home video versions of these performances. MTV Productions was formed in 1993 to

develop and produce theatrical motion pictures and television programs, including the joint development of a theatrical motion picture based on JOE'S APARTMENT with Geffen Pictures for distribution by Warner Bros.

Nickelodeon. At December 31, 1993, NICKELODEON was licensed to approximately 53.4 million cable subscribers and NICK AT NITE was licensed to approximately 53.1 million cable subscribers (based on subscriber counts provided by each cable system). According to the Nielsen Report, NICKELODEON and NICK AT NITE each reached approximately 60.9 million subscriber households. In 1993, NICKELODEON, the first network for kids, expanded its successful NICKTOONS, NICKELODEON's original animated programming, with the introduction of ROCKO'S MODERN LIFE in addition to THE REN & STIMPY SHOW, DOUG and RUGRATS. NICKELODEON also exhibits, on Saturday nights, SNICK, its first prime-time block of original NICKELODEON programming. MTVN, in cooperation with MCA Inc. ("MCA"), operates NICKELODEON STUDIOS FLORIDA at Universal Studios in Orlando, Florida, which combines state-of-the-art television production facilities with interactive features that demonstrate the operation of NICKELODEON's studios from a kid's perspective. In June 1993, NICKELODEON launched NICKELODEON MAGAZINE, a bi-monthly children's magazine. In April 1993, NICKELODEON and Sony Music entered into an agreement for Sony to manufacture and distribute NICKELODEON audio and video products in the U.S. and Canada through its Sony Wonder Children's label.

VH-1. At December 31, 1993, VH-1 was licensed to approximately 45.5 million cable subscribers (based on subscriber counts provided by each cable system). According to the Nielsen Report, VH-1 reached approximately 49.5 million subscriber households. Created in 1985 to reach viewers aged 25 to 49, VH-1 provides music and lifestyle programming. VH-1 offers programs such as original and acquired comedy programming including STAND-UP SPOTLIGHT and Gallagher specials; FT: FASHION TELEVISION; and the ONE-TO-ONE series which profiles pop artists.

MTVN has agreements with some U.S. record companies which, in exchange for cash and advertising time, license the availability of such companies' music videos for exhibition on MTV and on MTVN's other basic cable networks; a number of other record companies provide MTVN with music videos in exchange for promotional consideration only. The agreements generally provide that the videos are available for debut by MTVN and, in some cases, that videos are subject to exclusive periods on MTV. These record companies provide a substantial portion of the music videos exhibited on MTV and VH-1. MTVN is currently in negotiations for the renewal and extension of certain of its record company agreements. Although MTVN believes that these agreements will be renewed, there can be no assurance that the terms of such renewals will be as favorable as existing arrangements.

A number of record companies have announced plans to launch music-based program services in the U.S. and internationally. For example, Telecommunications, Inc. and Bertelsman AG announced plans for a music video/home shopping channel and Sony Corp.'s Sony Music and Time Warner Inc.'s Time Warner Music Group are discussing the formation of a world wide music video program service with such other major record companies as EMI Music, a unit of Thorn EMI PLC, and Polygram.

Viacom International participates as a joint venturer in COMEDY CENTRAL.

Comedy Central. Viacom International and HBO, through a 50-50 joint venture, operate COMEDY CENTRAL, a 24-hours-a-day, seven-days-a-week program service targeted to audiences ranging from the ages of 18 to 34. The format consists primarily of comedy programming, including movies, series, situation comedies, stand-up and sketch comedy, commentary, promotions, specials, game shows, talk shows and other original and acquired comedy programming. According to the Nielsen Report, COMEDY CENTRAL reached approximately 30.3 million subscriber households.

Showtime Networks. SNI operates three 24-hours-a-day, commercial-free, premium subscription services offered to cable television operators and other distributors: SHOWTIME, offering theatrically released feature films, comedy specials, dramatic series, boxing events, family programs and original movies; THE MOVIE CHANNEL, offering feature films and related programming including film

festivals; and FLIX, an added-value premium subscription service featuring movies primarily from the 1960s, '70s and '80s which was launched on August 1, 1992. As of December 31, 1993, SHOWTIME, THE MOVIE CHANNEL and FLIX in the aggregate had approximately 11.9 million subscribers.

SNI also provides special events, such as sports events, and feature films to licensees on a pay-per-view basis through its operation of SET PAY PER VIEW, a division of Viacom International.

Showtime Satellite Networks Inc. ("SSN"), a subsidiary of SNI, packages for distribution to home satellite dish owners (on a direct retail basis) SHOWTIME, THE MOVIE CHANNEL, FLIX, Viacom Networks' basic cable program services, ALL NEWS CHANNEL, a 24-hour satellite-delivered news service which is a joint venture between Viacom Satellite News Inc., a subsidiary of Viacom International, and Conus Communications Company Limited Partnership, a limited partnership whose managing general partner is Hubbard Broadcasting, Inc., and certain third-party program services. Also, SNI offers SHOWTIME, THE MOVIE CHANNEL and FLIX to third-party licensees for subdistribution to home satellite dish owners.

In addition to SNI's other motion picture licensing agreements, SNI and Sony Pictures Entertainment Inc. recently entered into a five-year agreement under which SNI has agreed to acquire the exclusive premium television rights to TriStar Pictures feature films. A continuation of SNI's previous three-year arrangement with TriStar, this new agreement includes all qualifying TriStar films theatrically released from 1994 through 1998, up to a maximum of 75 pictures.

SNI has also recently entered into a seven-year agreement with Metro-Goldwyn-Mayer Inc. ("MGM") under which SNI has agreed to acquire the exclusive premium television rights to MGM and United Artists feature films. The agreement includes all qualifying pictures theatrically released from September 1, 1994 through August 31, 2001, up to a maximum of 150 pictures. The agreement also calls for SNI and MGM to co-finance the production of certain exclusive original movies to be produced for a U.S. premiere on SNI's program services.

The cost of acquiring premium television rights to programming, including exclusive rights, is the principal expense of SNI. At December 31, 1993, in addition to such commitments reflected in Viacom's financial statements, SNI had commitments to acquire such rights at a cost of approximately $1.8 billion. Most of the $1.8 billion is payable within the next seven 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.

SNI also arranges for the development and production of original programs and motion pictures that premiere on SHOWTIME through its operation of the Showtime Entertainment Group. The Showtime Entertainment Group's activities also now include operating Viacom Pictures, a division of Viacom International, which arranges for the development and production of motion pictures that are exhibited theatrically in foreign markets and premiere domestically on SHOWTIME.

In addition to exhibiting the Showtime Entertainment Group's original programs and motion pictures on SNI's premium subscription services, SNI distributes certain Showtime Entertainment Group programming for foreign theatrical exhibition and exploitation in various other media worldwide.

Viacom Networks has entered into an agreement as of August 27, 1992 with United States Satellite Broadcasting, Inc., a subsidiary of Hubbard Broadcasting, Inc., for the direct broadcast high-powered Ku-band satellite distribution ("DBS") of each of Viacom Networks' wholly owned basic cable and premium networks, expected to be offered beginning in 1994.

ENTERTAINMENT. Viacom Entertainment is comprised of (i) Viacom Enterprises, which distributes television series such as ROSEANNE, THE COSBY SHOW, A DIFFERENT WORLD and various classic CBS network series such as I LOVE LUCY, feature films, made-for-television movies, mini-series and specials for television exhibition in various markets throughout the world, and also distributes television programs such as THE MONTEL WILLIAMS SHOW and NICK NEWS for initial United

States television exhibition on a non-network ("first run") basis and for international television exhibition; (ii) Viacom Productions, which produces television series such as MATLOCK, starring Andy Griffith, and DIAGNOSIS MURDER, starring Dick Van Dyke, and other television properties both independently and in association with others primarily for initial exhibition on United States prime time network television; (iii) Viacom New Media, which develops, produces, distributes and markets interactive software for the stand-alone and other multimedia marketplaces, and includes ICOM Simulations, Inc. (predecessor to VNM, Inc.) an interactive software development company acquired by Viacom in May 1993. Viacom New Media released an interactive horror movie on CD-ROM entitled DRACULA UNLEASHED in the fourth quarter 1993 and is in the process of developing cartridge video games based on certain MTV Networks programs, such as BEAVIS & BUTT-HEAD and ROCKO'S MODERN LIFE, as well as original CD-ROM products and expects to participate in the development of interactive programming for the Viacom/AT&T Castro Valley cable system project (described below); and (iv) Viacom World Wide, which explores and develops business opportunities in international markets primarily in cable and premium television. Viacom Enterprises and Viacom Productions are expected to be consolidated with Paramount's television operations during 1994.

CABLE TELEVISION. Viacom Cable owns and operates cable television systems serving approximately 1,111,000 customers as of March 31, 1994 in three regions of the United States: California, the Pacific Northwest and the Midwest. Viacom Cable has constructed a fiber optic cable system in Castro Valley, California to provide more channels with significantly better picture quality, and to accommodate testing of new services including an interactive on-screen programming guide known as StarSight (in which a consolidated affiliate of Viacom International currently has a 21.4% equity interest and has the right to increase its equity interest to 35% and in which Spelling Entertainment has a 5.8% equity interest), other interactive programs with Viacom New Media, video-on-demand premium services, multiplexed premium services, and advanced interactive video and data services. Viacom has entered into an agreement with AT&T to test and further develop such services. As part of Viacom's strategic relationship with NYNEX, Viacom has granted NYNEX a right of first refusal with respect to providing telephony service upgrade expertise to Viacom Cable.

BROADCASTING. Viacom Broadcasting owns and operates five network affiliated television stations. Viacom Broadcasting also operates 14 radio stations in six of the top eight radio markets, with duopolies in Los Angeles, Seattle and Washington, D.C. Viacom Broadcasting owns and operates the following five television properties: KMOV-TV (CBS), St. Louis, MO; WVIT-TV (NBC), Hartford-New Haven, CT; WNYT-TV (NBC), Albany, NY; KSLA-TV (CBS), Shreveport, LA; WHEC-TV (NBC), Rochester, NY and the following 14 radio stations: WLTW-FM, New York, NY; KXEZ-FM and KYSR-FM, Los Angeles, CA; WLIT-FM, Chicago, IL; WLTI-FM, Detroit, MI; WMZQ-AM/FM, WCXR-FM and WCPT-AM, Washington, D.C.; KBSG-AM/FM and KNDD-FM, Seattle, WA; KSOL-FM, San Francisco, CA; and KYLZ-FM, Santa Cruz/San Jose, CA. On November 1, 1993 Viacom Broadcasting exchanged KIKK-AM/FM, Houston, TX, for Westinghouse Broadcasting Company, Inc.'s WCXR-FM and WCPT-AM, Washington, D.C., and cash. Pursuant to the consent granted by the Federal Communications Commission ("FCC") to the transfer of control of the broadcast licenses of Paramount to Viacom, Viacom has undertaken to dispose of one of its two AM stations and one of its two FM stations serving Washington, D.C. See "--Viacom Recent Developments" below.

STRATEGIC RELATIONSHIPS. Viacom has entered into strategic relationships with Blockbuster and NYNEX including (i) a $600 million investment by Blockbuster in the Series A Preferred Stock, (ii) a $1.2 billion investment by NYNEX in the Series B Preferred Stock and (iii) an agreement with each of Blockbuster and NYNEX to explore strategic partnership opportunities. See "Sale of Viacom Preferred Stock." In addition, on March 10, 1994 Blockbuster purchased approximately 22.7 million shares of Viacom Class B Common Stock for an aggregate purchase price of approximately $1.25 billion pursuant to the Blockbuster Subscription Agreement.

REGULATORY MATTERS. The 1992 Cable Act amended the Communications Act of 1934. Rate regulations adopted in April 1993 by the FCC govern rates charged to subscribers for regulated tiers of

cable service and became effective on September 1, 1993. On February 22, 1994, the FCC adopted additional rules (the "February 22nd Regulations") which were published by the FCC on March 30, 1994. The "benchmark" formula adopted as part of the regulations establishes an "initial permitted rate" which may be charged by cable operators for specified tiers of cable service. The regulations also establish the prices which may be charged for equipment used to receive these services. Based upon Viacom's preliminary review of the recently published February 22nd Regulations, the new formula may require up to approximately a 17% reduction of rates from those charged on September 30, 1992, rather than the 10% reduction required by the April 1993 regulations. The February 22nd Regulations also adopted interim standards governing "cost-of-service" proceedings pursuant to which a cable operator would be permitted to charge rates in excess of rates which it would otherwise be permitted to charge under such regulations, provided that the operator substantiates that its costs in providing services justify such rates.

Based on its implementation of the April 1993 regulations, Viacom estimates that it will recognize a reduction to revenue ranging from $27 million to $32 million on an annualized basis substantially all of which will be reflected as a reduction in earnings from operations of its cable television division. Viacom's estimated reduction does not reflect further reductions to revenue which would result from the lowering of the initial permitted rates pursuant to the February 22nd Regulations. These new and reduced initial permitted rates will apply prospectively either from May 15, 1994 or July 14, 1994, pursuant to some conditions. Until the February 22nd Regulations are more fully analyzed, it is not possible to accurately predict the effects of the interim standards governing cost-of-service proceedings; however, based on a preliminary analysis, Viacom believes it is unlikely that it will be able to utilize such proceedings so as to charge rates in excess of rates which it would otherwise be permitted to charge under the regulations. Viacom's ability to mitigate the effects of these new rate regulations by employing techniques such as the pricing and repricing of new or currently offered unregulated program services and ancillary services are uncertain. No such potential mitigating factors are reflected in the estimated reductions to revenues. The stated reduction to revenues has been mitigated to a small extent by higher customer growth due to lower primary service rates. Any required further reduction in rates could be similarly mitigated. Viacom also cannot predict the effect, if any, of cable system rate regulation on license fee rates payable by cable systems to program services such as those owned by Viacom.

In a recent decision by the U.S. District Court for the Eastern District of Virginia, the Court declared the restrictions contained in the Communications Act of 1934, as amended (the "Communications Act") on the provision of video programming by a telephone company in its local service area to be unconstitutional and has enjoined enforcement of those restrictions. The Court has held that this decision does not apply to geographic areas outside of its jurisdiction. An appeal of the Court's holding of the unconstitutionality of such restrictions has been filed. Several similar suits have recently been filed in different jurisdictions by regional Bell Operating Companies (including NYNEX) ("BOCs") challenging the very same restrictions. In an interpretation of the current restrictions contained in the Communications Act, the FCC in 1992 established its "Video Dial Tone" policy. The Video Dial Tone policy is being challenged in court by cable interests as violating the Communications Act. It is also being challenged by telephone interests as not being liberal enough. The policy permits in-service-area delivery of video programming by a telephone company (a "telco", as further defined below) and exempts telcos from the Communications Act's franchising requirements so long as their facilities are capable of two-way video and are used for transmission of video programming on a common carrier basis, i.e., use of the facilities must be available to all programmers and program packagers on a non-discriminatory, first-come first-served basis. Telcos are also permitted to provide to facilities users additional "enhanced" services such as video gateways, video processing services, customer premises equipment and billing and collection. These can be provided on a non-common carrier basis. There are currently pending in Congress four principal bills (in the Senate, S. 1086, the Telecommunications Infrastructure Act of 1993, and S. 1822, the Communications Act of 1994 (which is expected to supersede S. 1086) and in the House, H.R. 3626, the Antitrust Reform Act 1993, and H.R. 3636, the

National Communications Competition and Information Infrastructure Act of 1993) which would, among other things, permit a BOC or a Regional Holding Company ("RHC", a BOC or RHC, a "telco") to offer cable service under certain stated conditions including providing safeguards and transition rules designed to protect against anti-competitive activity by the telcos and cross-subsidization of a telco's cable business by the telco's charges to its telephone customers. These bills also generally eliminate state and local entry barriers which currently either prohibit or restrict an entity's (including a cable operator's) capacity to offer telecommunications services (including telephone exchange service) in competition with telcos and to interconnect on a non-discriminatory basis with telcos and utilize certain telco facilities in order to provide service in competition with a telco. The Clinton Administration has indicated its intention to propose reform of federal telecommunications legislation, although such proposal has not been finalized.

The Modification of Final Judgment (the "MFJ") is the consent decree pursuant to which AT&T was reorganized and was required to divest its local telephone service monopolies. As a result, seven regional holding companies were formed (including NYNEX) comprised of operating companies within their regions. In addition, all territory in the continental United States served by the BOCs was divided into geographical areas termed Local Access and Transport Areas ("LATAs"). The MFJ restricts the RHCs, the BOCs and their affiliates from engaging in inter-LATA telecommunications services and from manufacturing telecommunications products. As a result of NYNEX's investment in Viacom, Viacom arguably could be considered an affiliate of an RHC for MFJ purposes. As a result, Viacom transferred certain of its operations and properties to an affiliated entity which will be consolidated into Viacom for financial reporting purposes. Neither the transfer nor the operations of the affiliate as an entity separate from Viacom will have a material effect on the financial condition or the results of operations of Viacom. However, should the MFJ restrictions be modified or waived, Viacom intends to retransfer the assets and operations and any future appreciation in the value of such assets after such retransfer will be for the benefit of the holders of Viacom Common Stock.

OWNERSHIP OF PARAMOUNT COMMON STOCK. On March 11, 1994, Viacom, pursuant to the terms of the Offer, completed its purchase of 61,657,432 shares of Paramount Common Stock, representing a majority of the shares of Paramount Common Stock outstanding. Pursuant to the Paramount Merger Agreement, a wholly owned subsidiary of Viacom will be merged with and into Paramount and, as a result, Paramount will become a wholly owned subsidiary of Viacom. On March 11, 1994, 10 members of Paramount's Board of Directors resigned and their positions were filled by 10 designees of Viacom. See "Management Before and After the Mergers--Executive Officers and Directors of Paramount." Effective March 15, 1994, Paramount's fiscal year was changed such that its fiscal year (consisting of eleven calendar months) will end March 31, 1994, following which Paramount's fiscal year will be the nine month period ending December 31, 1994. Thereafter, Paramount's fiscal year will be the twelve month period ending on December 31 of each year, conforming to that of Viacom. Effective March 14, 1994, the Paramount Board replaced Ernst & Young with Price Waterhouse as its independent public accountants. Price Waterhouse are the independent public accountants of Viacom.

BLOCKBUSTER MERGER. Viacom and Blockbuster are parties to the Blockbuster Merger Agreement. See "The Blockbuster Merger." Upon consummation of the Blockbuster Merger, the Series A Preferred Stock and the Viacom Class B Common Stock owned by Blockbuster will cease to be outstanding.

VIACOM RECENT DEVELOPMENTS. On April 4, 1994, Viacom sold its one-third partnership interest in LIFETIME to its partners The Hearst Corporation and Capital Cities/ABC Inc. for approximately $317.6 million.

On March 29, 1994 Viacom entered into an agreement to sell its California radio stations, KSOL-FM and KYLZ-FM.

PARAMOUNT. The businesses of Paramount are entertainment and publishing. Entertainment includes the production, financing and distribution of motion pictures, television programming and prerecorded videocassettes and the operation of motion picture theaters, independent television stations,

regional theme parks and Madison Square Garden. Publishing includes the publication and distribution of hardcover and paperback books for the general public, textbooks for elementary schools, high schools and colleges, and the provision of information services for business and professions.

Entertainment. Theatrical Motion Pictures. Paramount Pictures produces and/or finances feature motion pictures for exhibition in theaters and on television and for distribution by videocassettes and video discs. 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 acquired by Paramount Pictures. Each picture is, in effect, a separate and distinct product with its financial success dependent upon many factors, among which cost and public response are of fundamental importance. In the twelve-month period ended January 31, 1994, Paramount Pictures released fifteen feature motion pictures. Paramount Pictures distributes its motion pictures for theatrical release outside the United States and Canada through United International Pictures, a company owned by Paramount Pictures, MCA and Metro-Goldwyn-Mayer Inc.

Most motion pictures are also licensed for exhibition on television, with fees generally collected in installments. License fees are recorded as revenue in the year that the films are available for telecast, which, among other reasons, may cause substantial fluctuation in Paramount's operating results. At January 31, 1994, unrecognized revenues attributable to licensing of completed films from Paramount Pictures' license agreements were $575 million.

Paramount Pictures has an exclusive pay television license agreement with HBO which includes new Paramount Pictures' motion pictures released theatrically through December 1997. Paramount Pictures also licenses its motion pictures to home and hotel/motel pay-per-view, airlines, schools and universities. Paramount Pictures also distributes its motion pictures for pay television release outside the United States and Canada through United International Pictures. In 1993, Paramount acquired a joint venture interest in HBO Pacific Partners, C.V. and granted to it a license to carry Paramount Pictures' motion pictures on pay television in Singapore, Thailand, the Philippines and other territories through 1999. Paramount Pictures has approximately 900 motion pictures in its library. United International Pictures and United Cinemas International (as described below) are the subject of various governmental inquiries by the Commission of the European Community and the Monopolies and Mergers Commission of the United Kingdom. Such inquiries are not expected to have a material effect on the business of Paramount.

Television Programs. Paramount Pictures is engaged in the production and distribution of series, mini-series, specials and made-for-television movies for network television, first-run syndication, pay and basic cable, videocassettes and video discs, and live television programming. The receipt and recognition of revenues for license fees for completed television programming in syndication is similar to that of feature films exhibited on television and, consequently, operating results are subject to substantial fluctuation. At January 31, 1994, the unrecognized revenues from such television license agreements were $198 million. Certain programs are licensed in exchange for cash and/or advertising time which Paramount Pictures retains and sells through its wholly owned affiliate, Premier Advertiser Sales. Premier Advertiser Sales also sells advertising time in programming distributed by third parties. Paramount Pictures' foreign television revenues include the licensing of series, mini-series and specials made for U.S. television and theatrical and made-for-television movies that are part of its television library. In addition, foreign television revenues also include revenues derived from distribution of television product acquired from independent producers.

Home Video. Paramount Pictures sells videocassettes for the home video market, featuring its motion picture and television program library, acquisitions from third parties and programs made originally for the home video market. It also licenses this product for distribution on video disc. Paramount Pictures distributes its home video products outside the United States and Canada through Cinema International B.V., a joint venture with MCA.

Theatrical Exhibition. Famous Players operates 462 screens in 114 theaters throughout Canada. Cinamerica, a joint venture with Time Warner Inc. ("Time Warner"), includes Mann and Festival

Theaters and operates 341 screens in 66 theaters in California, Colorado, Arizona and Alaska. United Cinemas International, a joint venture with MCA, operates 235 screens in 25 theaters in the United Kingdom and Ireland, 42 screens in three theaters in Germany and 76 screens in 25 theaters in Spain. United Cinemas International plans to construct and operate additional theaters in the United Kingdom, Germany, Austria and Spain. It also manages, in six countries, 31 screens in 17 theaters which are owned by Cinema International Corporation, a joint venture with MCA.

Television Broadcasting and Cable Television Networks. PSG owns and operates seven television stations: WTXF(TV), Philadelphia; KRRT(TV), San Antonio; WLFL(TV), Raleigh/Durham; WDCA-TV, Washington, D.C.; KTXA(TV), Dallas; KTXH(TV), Houston; and WKBD(TV), Detroit. Paramount and MCA jointly own USA Networks, which operates two national advertiser-supported basic cable television networks, USA Network and the Sci-Fi Channel. USA Network is one of the largest of its kind in the United States, reaching approximately 62.5 million households.

Theme Parks. Paramount Parks owns and operates five regional theme parks: Paramount's Carowinds, in Charlotte, North Carolina; Paramount's Great America, in Santa Clara, California; Paramount's Kings Dominion, located near Richmond, Virginia; Paramount's Kings Island, located near Cincinnati, Ohio; and Paramount Canada's Wonderland, located near Toronto, Ontario. In May 1993, Paramount Parks acquired the 80% interest in Paramount Canada's Wonderland which it did not previously own. The majority of the theme parks' operating income is generated from May through September.

Madison Square Garden. Madison Square Garden's activities include the operation of the Madison Square Garden Arena, which seats approximately 20,000 people, and The Paramount, a theater which seats approximately 5,600 people, the New York Knickerbockers Basketball Club of the National Basketball Association and the New York Rangers Hockey Club of the National Hockey League. It also supplies and distributes television programming for cable systems principally in New York, New Jersey and Connecticut through the Madison Square Garden Network. Its programming includes its own sporting events and rights to the New York Yankees baseball games through the year 2000. In addition, Madison Square Garden produces, promotes and/or presents live entertainment, which includes television event production of the Miss Universe, Miss USA and Miss Teen USA pageants and auto thrill shows through SRO Motorsports. See "Special Factors--Certain Effects of the Paramount Merger; Operations After the Paramount Merger."

Publishing. Paramount Publishing includes well-known imprints such as Simon & Schuster, Pocket Books, Prentice Hall, Silver Burdett Ginn and Computer Curriculum Corporation, among others.

Educational Publishing. Paramount Publishing's Elementary, Secondary and Higher Education groups publish elementary, secondary and college textbooks and related materials, computer-based educational products, audiovisual products and vocational and technical materials under such imprints as "Prentice Hall," "Silver Burdett Ginn," "Allyn & Bacon," "Globe Fearon," "Modern Curriculum Press," "Coronet/MTI Film & Video," "Computer Curriculum Corporation," "Simon & Schuster Workplace Resources," "Academic Reference," "Regents/PH," "American Teaching Aids," "Judy/Instructo," "Ginn Press," "Alemany" and "Cambridge."

Consumer Publishing. Paramount Publishing's Consumer group publishes and distributes hardcover, trade paperback and mass market books and audio tapes. It publishes its hardcover trade books principally under the "Simon & Schuster," "Pocket Books," "Poseidon Press," "Little Simon," "Simon & Schuster Books for Young Readers," "Green Tiger" and "Julian Messner" imprints; its trade paperback books under the "Fireside" and "Touchstone" imprints; and its mass market paperbacks under the "Pocket Books," "Pocket Star," "Archway," "Washington Square Press" and "Minstrel" imprints. Audio cassettes are sold under the imprints "Audio Works" and "Sound Ideas." Books of other publishing companies, including "Harlequin" and "Silhouette" romance novels, books published under the imprints of "Baen," "Meadowbrook," "Picture Book Studios" and "Rabbit Ears," and audio cassettes under the "Nightingale Conant Audio" imprint are also distributed.

The Consumer group also publishes or distributes consumer information and special-interest books, including "Prentice Hall" reference books; "Arco" college entrance and civil service test preparation material; "J.K. Lasser" tax guides; "Webster's New World" and "Harrap's" bilingual dictionaries; travel books under the "Frommer's," "American Express," "Baedeker" and "Mobil" imprints; cookbooks under the "Betty Crocker" imprint; gardening books under the "Burpee" and "Horticulture" imprints; maps under the "Gousha" imprint; and "Monarch Notes" study guides.

Business, Technical and Professional. Paramount Publishing's Business, Technical and Professional group publishes books, newsletters and software for a variety of professional groups, including lawyers, accountants, tax professionals, business executives and the medical community. These materials are published under the "Prentice Hall," "Bureau of Business Practice," "Parker," "Appleton & Lange" and "New York Institute of Finance" imprints. It publishes Prentice Hall Computer Publishing computer reference books under the "Que," "Brady," "Sams," "New Riders," "Alpha Books" and "Hayden" imprints. It also provides information and services to corporate attorneys and lending institutions, provides professional tax preparation and practice management software to accounting firms and law firms, licenses software designed to manage and maintain trademark and patent registrations to law firms and large corporations and provides business training programs to corporations.

International. The international operations include publishing in Canada, the United Kingdom, Australia, Brazil, Mexico, Singapore, Japan and India primarily under the "Prentice Hall" and "Simon & Schuster" imprints as well as distribution of Paramount Publishing's products worldwide. Paramount Publishing also publishes German language computer books and software in Germany under the "Markt & Technik" imprint.

Paramount Recent Developments. In February 1994, Paramount completed the
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acquisition of Macmillan Publishing Company and certain other publishing assets of Macmillan, Inc. for approximately $553 million. Macmillan Publishing, which includes such imprints as "Macmillan" and "Scribner's", publishes books and materials through five divisions--College, Children's Books, Adult Trade, Reference and The Free Press, a publisher of scholarly and professional materials--as well as Jossey-Bass, a publisher of books and periodicals for select professionals.

Provisions in certain consent decrees entered into by the television networks which prohibited the networks from acquiring financial interests and syndication rights in television programming by non-network suppliers such as Paramount Pictures were recently vacated by a federal district court. Accordingly, subject to certain restrictions imposed by the FCC, the networks will be able to negotiate with program suppliers to acquire financial interests and syndication rights in television programs that air on the networks.

Paramount and BHC Communications, Inc., which is majority owned by Chris-Craft Industries, Inc., are forming a joint venture to be known as the Paramount Television Network which will provide prime-time television programming primarily to broadcast affiliates nationwide in competition with the three major networks and the Fox Broadcasting Network. The network is expected to begin operations in January 1995.

Under the joint venture agreement for USA Networks between subsidiaries of Paramount and MCA, such subsidiaries and certain of their affiliates are restricted, subject to certain exceptions and unless the other party consents, from engaging outside of USA Networks in the business of providing to cable television systems national, video, advertiser-supported, basic cable entertainment networks or providing national video entertainment programming services to cable television systems and/or other entities on a pay-per-view basis. Although Viacom and Paramount do not believe that these restrictions were violated by the consummation of the Offer, there can be no assurance that MCA might not seek damages or other relief in connection with the consummation of the Offer or the Paramount Merger or the business activities that may be engaged in thereafter.

MATTERS TO BE CONSIDERED AT THE MEETINGS

Viacom. At the Viacom Special Meeting, holders of Viacom Class A Common Stock will consider and vote upon approval of the Paramount Merger Agreement (including the issuance of the Paramount Merger Consideration) and the Viacom Charter Amendments. Such stockholders will also consider and vote upon such other matters as may properly be brought before the Viacom Special Meeting.

ON FEBRUARY 1, 1994, THE BOARD OF DIRECTORS OF VIACOM UNANIMOUSLY (WITH ONE DIRECTOR ABSTAINING) APPROVED THE FEBRUARY 4 MERGER AGREEMENT AND RECOMMENDED A VOTE FOR APPROVAL OF THE FEBRUARY 4 MERGER AGREEMENT (INCLUDING THE ISSUANCE OF THE PARAMOUNT MERGER CONSIDERATION) AND THE VIACOM CHARTER AMENDMENTS. ON MAY 26, 1994, THE BOARD OF DIRECTORS OF VIACOM APPROVED THE MAY AMENDMENT.

At the Viacom Annual Meeting, holders of Viacom Class A Common Stock will consider and vote upon the Viacom Annual Meeting Proposals. Such stockholders will also consider and vote upon such other matters as may properly be brought before the Viacom Annual Meeting.

THE BOARD OF DIRECTORS OF VIACOM RECOMMENDS A VOTE FOR APPROVAL OF THE VIACOM ANNUAL MEETING PROPOSALS, INCLUDING THE SLATE OF DIRECTORS NOMINATED BY THE VIACOM BOARD OF DIRECTORS.

Paramount. At the Paramount Special Meeting, holders of Paramount Common Stock will consider and vote upon a proposal to approve and adopt the Paramount Merger Agreement and such other matters as may properly be brought before the meeting.

ON FEBRUARY 4, 1994, THE BOARD OF DIRECTORS OF PARAMOUNT UNANIMOUSLY APPROVED THE FEBRUARY 4 MERGER AGREEMENT AND RECOMMENDED A VOTE FOR APPROVAL AND ADOPTION OF THE FEBRUARY 4 MERGER AGREEMENT. ON MAY 26, 1994, THE RECONSTITUTED BOARD OF DIRECTORS OF PARAMOUNT APPROVED THE MAY AMENDMENT.

THIS PROXY STATEMENT/PROSPECTUS IS NOT A SOLICITATION OF PROXIES WITH RESPECT TO, NOR A PROSPECTUS RELATING TO, THE BLOCKBUSTER MERGER. A SEPARATE JOINT PROXY STATEMENT/PROSPECTUS OF VIACOM AND BLOCKBUSTER RELATING TO THE BLOCKBUSTER MERGER WILL BE SENT TO STOCKHOLDERS OF VIACOM AND BLOCKBUSTER PRIOR TO ANY CONSIDERATION OF THE BLOCKBUSTER MERGER.

VOTES REQUIRED

Viacom. Each share of Viacom Class A Common Stock is entitled to one vote. Except as required by Delaware law, holders of Viacom Class B Common Stock are not entitled to vote on any matter.

The affirmative vote of the holders of a majority of the outstanding shares of Viacom Class A Common Stock is required to approve the Viacom Charter Amendments. Because approval of the Viacom Charter Amendments requires the affirmative vote of such holders, abstentions and broker non-votes will have the same effect as votes against the Viacom Charter Amendments.

The affirmative vote of the holders of a majority of the shares of Viacom Class A Common Stock present in person or represented by proxy is required for approval of the Paramount Merger Agreement and the Viacom Annual Meeting Proposals. Abstentions will have the same effect as a vote against such proposals. Broker non-votes will have no such effect and will not be counted.

NAI, which is controlled by Sumner M. Redstone, owned approximately 85% of the Viacom Class A Common Stock and 52% of the Viacom Class B Common Stock as of April 1, 1994. NAI has agreed to vote all of its shares of Viacom Class A Common Stock in favor of the Paramount Merger Agreement pursuant to the terms of the Paramount Voting Agreement, a copy of which is attached as Annex II. See "Special Factors--Paramount Voting Agreement." Such action by NAI in accordance with the Paramount Voting Agreement would be sufficient to approve the Paramount Merger Agreement and related transactions without any action on the part of any other holder of Viacom Class A Common Stock.

NAI has advised Viacom that it intends to vote all of its shares in favor of the Viacom Annual Meeting Proposals (including the slate of directors nominated by the Viacom Board of Directors) and in favor of each of the Viacom Charter Amendments; such action by NAI is sufficient to approve such proposals without any action on the part of any other holder of Viacom Class A Common Stock.

Paramount. The affirmative vote of the holders of a majority of the outstanding shares of Paramount Common Stock entitled to vote thereon is required to approve and adopt the Paramount Merger Agreement. Each share of Paramount Common Stock is entitled to one vote. Because approval of the Paramount Merger Agreement requires the vote of a majority of the outstanding shares of Paramount Common Stock, abstentions and broker non-votes will have the same effect as votes against the Paramount Merger Agreement. As Viacom has acquired a majority of the outstanding shares of Paramount Common Stock pursuant to the Offer, Viacom has sufficient voting power to approve the Paramount Merger Agreement, even if no other stockholder of Paramount votes in favor of the Paramount Merger Agreement.

At March 31, 1994, Paramount's current directors and executive officers may be deemed to be beneficial owners of approximately 2,238,531 shares of Paramount Common Stock, or approximately 1.82% of the then outstanding shares of Paramount Common Stock. See "Security Ownership of Certain Beneficial Owners and Management."

VOTING OF PROXIES

Shares represented by properly executed proxies received in time for the Special Meetings and the Viacom Annual Meeting, as the case may be, will be voted at such meetings in the manner specified by the holders thereof. Proxies which are properly executed but which do not contain voting instructions will be voted (i) in the case of proxies for Viacom Class A Common Stock, in favor of the Paramount Merger Agreement (including the issuance of the Paramount Merger Consideration) and the Viacom Charter Amendments, at the Viacom Special Meeting, and in favor of the Viacom Annual Meeting Proposals (including the slate of directors nominated by the Viacom Board of Directors), at the Viacom Annual Meeting, or (ii) in the case of proxies for Paramount Common Stock, in favor of approval and adoption of the Paramount Merger Agreement.

It is not expected that any matter other than those referred to herein will be brought before either of the Special Meetings or the Viacom Annual Meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to such matters.

REVOCABILITY OF PROXIES

The grant of a proxy on the enclosed Viacom or Paramount forms does not preclude a stockholder from voting in person. A stockholder may revoke a proxy at any time prior to its exercise by submitting a new proxy at a later date, by filing with the Secretary of Viacom (in the case of a Viacom stockholder) or the Secretary of Paramount (in the case of a Paramount stockholder) a duly executed revocation of proxy bearing a later date or by voting in person at the meeting. Attendance at the relevant Special Meeting or the Viacom Annual Meeting will not of itself constitute revocation of a proxy.

RECORD DATE; STOCK ENTITLED TO VOTE; QUORUM

Viacom. Only holders of record of Viacom Class A Common Stock and Viacom Class B Common Stock at the close of business on May 31, 1994 will be entitled to receive notice of the Viacom Special Meeting and the Viacom Annual Meeting, and only holders of record of Viacom Class A Common Stock on the close of business on May 31, 1994 will be entitled to vote on the matters to be voted on at such meetings. As of this record date, Viacom had outstanding 53,449,525 shares of Viacom Class A Common Stock and 90,083,779 shares of Viacom Class B Common Stock.

Shares representing a majority of the voting power of the outstanding shares of Viacom Class A Common Stock entitled to vote must be represented in person or by proxy at the Viacom Special Meeting and the Viacom Annual Meeting in order for a quorum to be present with respect to the Viacom Class A Common Stock for purposes of approving the matters to be voted on at such meetings. Abstentions and broker non-votes are counted for the purposes of establishing a quorum. As NAI has agreed to vote its shares of Viacom Class A Common Stock in favor of the Paramount Merger and related transactions pursuant to the Paramount Voting Agreement and, as NAI has announced its intention to vote at the Viacom Annual Meeting, the presence of the requisite quorums at the Viacom Special Meeting and the Viacom Annual Meeting is assured. Holders of Viacom Class B Common Stock are not entitled to vote on any of the matters to be voted on at the Viacom Special Meeting or the Viacom Annual Meeting.

Paramount. Only stockholders of record of Paramount at the close of business on May 31, 1994 will be entitled to receive notice of the Paramount Special Meeting, and only holders of record of Paramount Common Stock at that time will be entitled to vote at the Paramount Special Meeting. As of this record date, Paramount had outstanding 122,792,910 shares of Paramount Common Stock, exclusive of shares held in its treasury. A majority of the outstanding shares of Paramount Common Stock must be represented in person or by proxy at the Paramount Special Meeting in order for a quorum to be present. Abstentions and broker non-votes are counted for the purposes of establishing a quorum.

APPRAISAL RIGHTS

Paramount. In the event the Paramount Merger is consummated, record holders of Paramount Common Stock will be entitled to appraisal rights under Section 262 of the DGCL because such persons hold stock of a constituent corporation in the Paramount Merger and such holders are required by the terms of the Paramount Merger Agreement to accept for such stock consideration other than shares of the corporation resulting from the Paramount Merger. Stockholders who have not voted in favor of the Paramount Merger will have the right to obtain a cash payment for the "fair value" of their shares (excluding any element of value arising from the accomplishment or expectation of the Paramount Merger). Such "fair value" would be determined in judicial proceedings, the result of which cannot be predicted. In order to exercise appraisal rights, dissenting stockholders must comply with the procedural requirements of Section 262 of the DGCL, a description of which is provided in "Dissenting Stockholders' Rights of Appraisal" and the full text of which is attached to this Proxy Statement/Prospectus as Annex V. Failure to take any of the steps required under Section 262 of the DGCL on a timely basis may result in the loss of appraisal rights. Except as set forth above, stockholders of Paramount will have no appraisal rights in connection with the Paramount Merger. See "Certain Considerations."

Viacom. Stockholders of Viacom will have no appraisal rights in connection with the Paramount Merger.

SOLICITATION OF PROXIES

Each of Viacom and Paramount will bear the cost of the solicitation of proxies from its own stockholders, except that Viacom and Paramount will share equally the cost of printing this Proxy Statement/Prospectus. In addition to solicitation by mail, the directors, officers and employees of each company and its subsidiaries may solicit proxies from stockholders of such company by telephone or telegram or in person. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons, and Viacom and Paramount will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection therewith.

STOCKHOLDERS SHOULD NOT SEND STOCK CERTIFICATES WITH THEIR PROXY CARDS.

BACKGROUND OF THE PARAMOUNT MERGER

For several years, Sumner M. Redstone, Chairman of the Board of Directors of Viacom, and Martin S. Davis, Chairman of the Board and Chief Executive Officer of Paramount, held discussions from time to time concerning the possibility of a business combination. These discussions were preliminary and inconclusive.

On April 20, 1993, at the invitation of Robert Greenhill (the Chief Executive Officer of Smith Barney), Messrs. Redstone and Davis met with Mr. Greenhill and agreed to explore once again the possibility of combining the two companies.

From April to late June 1993, the two companies engaged in preliminary discussions concerning certain possible terms of a business combination, the discussions involving at various times Messrs. Redstone, Davis and Greenhill, Philippe P. Dauman, Senior Vice President and General Counsel of Viacom, and Donald Oresman, Executive Vice President and General Counsel of Paramount. These discussions were also inconclusive.

During the week of June 28, Messrs. Redstone and Davis decided to renew discussions. On July 1, 1993, Viacom and Paramount executed and exchanged confidentiality agreements in anticipation of exchanging confidential information and conducting due diligence (however, no such information was exchanged until the week of September 6, 1993). Discussions between the parties continued, and on July 6, 1993, a meeting was held, including Messrs. Dauman, Oresman and Greenhill and Felix Rohatyn of Lazard Freres. Viacom's representatives expressed a willingness to negotiate a transaction based upon consideration payable to Paramount's stockholders valued at $63 per share, conditioned upon Paramount's willingness to grant to Viacom an option to acquire from Paramount shares, representing up to 20% of Paramount's then outstanding shares, at an exercise price of the then current market price of Paramount's Common Stock, and pay to Viacom a fee in an amount to be negotiated, plus expenses, in the event the transaction did not close. In addition, Viacom proposed that the parties should explore entering into other business transactions, including possible joint venture arrangements, simultaneously with entering into a merger agreement. Discussions were terminated on July 7, 1993, due to the parties' belief that they would be unable to reach agreement on certain significant terms, including the consideration to be received by Paramount stockholders, the consideration which would be payable to Viacom if the transaction did not close and the proposed joint venture arrangements between the parties, as outlined above.

On August 20, 1993, Mr. Greenhill arranged for Messrs. Davis and Redstone to meet later that day. At the end of this meeting they agreed to authorize their respective senior managements and advisors to again explore terms upon which the parties might reach agreement on a business combination. However, discussions terminated on August 25, 1993, primarily due to disagreement over the consideration to be offered to Paramount stockholders in the combination and Viacom's insistence on an option on 20% of Paramount's stock at market and a termination fee in the amount of $150 million, plus expenses.

A series of discussions began again in early September. On September 7, 1993, Messrs. Dauman and Oresman and the companies' respective financial and legal advisors met, and following that meeting Messrs. Redstone and Davis met to review the status of the discussions between the companies. On the basis of that review, Messrs. Redstone and Davis agreed to direct their respective senior managements and advisors to conduct due diligence, exchange and negotiate transaction documentation, and otherwise seek to reach agreement on all terms.

From September 8 through September 11, 1993, senior management of Viacom and Paramount, assisted by their legal and financial advisors, exchanged financial and legal due diligence materials, conducted due diligence, and negotiated a merger agreement (the "Original Merger Agreement") and a stock option agreement (the "Original Stock Option Agreement") between Paramount and Viacom and a voting agreement (the "Original Voting Agreement") between Paramount and NAI.

On September 9, 1993, at a regularly scheduled meeting, the Paramount Board of Directors met and reviewed the status of negotiations and received an analysis of the businesses of Viacom and Paramount and an analysis of certain other merger transactions.

The negotiations over the principal issues in the agreements were concluded during a meeting between Messrs. Dauman and Oresman and their respective legal advisors in New York on September 11, 1993.

On September 12, 1993, the Viacom Board and the Paramount Board each met and approved the proposed transactions. Paramount and Viacom entered into certain related agreements and announced a merger of Paramount with and into Viacom (the "Original Merger"). In the Original Merger, each share of Paramount Common Stock was to be converted into the right to receive (i) 0.1 shares of Viacom Class A Common Stock, (ii) 0.9 shares of Viacom Class B Common Stock and (iii) $9.10 in cash. At the meeting of the Paramount Board, Lazard Freres delivered a written opinion to the effect that as of September 12, 1993 the consideration to be received by Paramount's stockholders in the Original Merger was fair to the stockholders of Paramount from a financial point of view.

By a letter to Paramount dated September 20, 1993, QVC Network, Inc. ("QVC") proposed a business combination of Paramount and QVC under which each outstanding share of Paramount Common Stock would be converted into the right to receive 0.893 of a share of QVC Common Stock and $30 in cash. Under the terms of the Original Merger Agreement, Paramount was not permitted to hold discussions with QVC until the Paramount Board could establish that (i) the proposal was not subject to any material financing contingency and (ii) that such discussions were required for the Paramount Board to comply with its fiduciary duties to the Paramount stockholders. Having made such findings, Paramount, by letter dated October 13, 1993, requested that QVC produce, as a prelude to discussions, information regarding QVC and the feasibility of its proposal. On October 20, QVC delivered to Paramount certain materials. On October 21, the day after QVC delivered these materials, QVC publicly announced that it would commence a tender offer for 51% of the shares of Paramount Common Stock at $80 per share (the "First QVC Offer") and, if successful, would propose a second-step merger (the "First QVC Second-Step Merger") in which the remaining shares would be converted into the right to receive 1.42857 shares of QVC Common Stock.

On October 21, 1993, QVC commenced an action in the Delaware Chancery Court naming as defendants Paramount, certain of its directors and Viacom. QVC alleged causes of action for breaches of fiduciary duty against Paramount and its Board, and alleged that Viacom aided and abetted those breaches of duty. The action sought to enjoin the proposed merger between Paramount and Viacom on the ground that certain provisions of the Original Merger Agreement and the Original Stock Option Agreement were unlawful and had been entered into in breach of the Paramount directors' fiduciary duties. QVC's action was subsequently consolidated with a number of class actions brought by certain Paramount stockholders in the Delaware Chancery Court.

After QVC's October 21 announcement, Viacom proposed to modify the Original Merger Agreement and the related agreements to increase the value of the merger consideration to $80 per share of Paramount Common Stock (based on Viacom's closing stock prices as of October 22, 1993) and to provide for the commencement by Viacom of a tender offer for 51% of the Paramount Common Stock outstanding at a price of $80 per share (the "First Viacom Offer") following which, in a second-step merger (the "First Viacom Second-Step Merger"), holders of shares of Paramount Common Stock not acquired in the First Viacom Offer would receive (i) 0.20408 shares of Viacom Class A Common Stock, (ii) 1.08317 shares of Viacom Class B Common Stock and (iii) 0.20408 shares of a new series of cumulative convertible exchangeable preferred stock of Viacom (the "Viacom Merger Preferred Stock").

Following discussions between Paramount and Viacom, at a meeting of the Paramount Board held on October 24, 1993, the Paramount Board considered (i) the events that had transpired since Paramount and Viacom entered into the Original Merger Agreement, including the First QVC Offer

and the First QVC Second-Step Merger to the extent of available information, and (ii) presentations from the Paramount Board's legal and financial advisors with respect to the proposed revisions to the Original Merger Agreement, and with respect to the First QVC Offer and the First QVC Second-Step Merger to the extent of available information. The Paramount Board also received the oral opinion of Lazard Freres to the effect that as of October 24, 1993 the consideration to be received by Paramount's stockholders in the First Viacom Offer and the First Viacom Second-Step Merger, taken together, was fair to the stockholders of Paramount from a financial point of view.

The Paramount Board, by unanimous vote, (i) approved the Amended and Restated Agreement and Plan of Merger dated as of October 24, 1993 between Viacom and Paramount (the "October 24 Merger Agreement") (to provide for the revised acquisition structure and expanded termination rights in favor of Paramount), (ii) determined that the First Viacom Offer and the First Viacom Second-Step Merger were consistent with and in furtherance of the long-term business strategy of Paramount and, taken together, were fair to, and in the best interests of, Paramount's stockholders, (iii) recommended approval and adoption of the October 24 Merger Agreement and (iv) agreed to recommend that holders of Paramount Common Stock tender their shares pursuant to the First Viacom Offer.

Late the same day, Viacom's Board of Directors, by unanimous vote, (i) determined that the October 24 Merger Agreement was fair to, and in the best interests of, the stockholders of Viacom, (ii) approved the October 24 Merger Agreement and (iii) authorized the commencement of the First Viacom Offer.

After the meetings, Viacom and Paramount executed the October 24 Merger Agreement.

The October 24 Merger Agreement provided that the Paramount Board would amend the Rights Agreement dated as of September 7, 1988 between Paramount and Chemical Bank, as amended (the "Rights Agreement") to permit Viacom to consummate its tender offer unless there existed a tender offer or exchange offer to acquire Paramount or a written, bona fide proposal to acquire Paramount pursuant to a merger, consolidation, share exchange, business combination, tender or exchange offer or other similar transaction and that amending the Rights Agreement would be inconsistent with the Paramount Board's satisfaction of its fiduciary duties to stockholders under applicable law.

On October 25, 1993, Viacom commenced the First Viacom Offer. On October 27, 1993, QVC (together with its co-bidders, Comcast Corporation ("Comcast") and Liberty Media Corporation ("Liberty Media")) commenced the First QVC Offer.

On October 28, 1993, QVC sent a letter to Paramount requesting that Paramount negotiate with QVC regarding a merger proposal. By letter dated October 29, 1993, Paramount indicated that it was prepared, as it was prior to the commencement of the First QVC Offer, to meet with QVC to discuss its proposal. On November 1, 1993, representatives of Paramount met with representatives of QVC to discuss QVC's proposal. At the meeting, QVC's representatives indicated that Paramount should not assume that there would be no further increase in the value of the consideration proposed to be paid by QVC with respect to the First QVC Offer and First QVC Second-Step Merger. However, QVC's representatives stated that any further increase in QVC's bid would be, in part, a function of the adoption by Paramount of certain auction bidding procedures requested by QVC. QVC also presented to Paramount an informational request and a form of merger agreement. In a letter to QVC dated November 1, 1993, Paramount stated that the requested auction bidding procedures were inappropriate and, in addition, their adoption by Paramount would be inconsistent with Paramount's contractual obligations under the October 24 Merger Agreement. Paramount's letter also referred to the provisions in the October 24 Merger Agreement (i) allowing the Paramount Board to keep the Rights Agreement in place with respect to the First Viacom Offer "if, in its view, the existence of a better alternative would make an amendment to the Rights Agreement inconsistent with its fiduciary duties" and (ii) permitting Paramount to terminate the October 24 Merger Agreement "if the Paramount Board determines to recommend to its stockholders another transaction in the exercise of its fiduciary duties." By letter to Paramount dated November 2, 1993, counsel for QVC expressed its displeasure at Paramount's failure

to adopt QVC's requested auction bidding procedures but was silent as to whether any alternative proposal would be made by QVC.

On November 5, 1993, Viacom proposed an amendment (the "November 6 Amendment") to the October 24 Merger Agreement which provided that the per share consideration in the First Viacom Offer be increased from $80 to $85 (the "Second Viacom Offer"). In addition, the proposed amendment provided that the consideration in the First Viacom Second-Step Merger be revised by increasing the amount of the Viacom Merger Preferred Stock from 0.20408 to 0.30408 shares per share of Paramount Common Stock (the "Second Viacom Second-Step Merger"), representing an increase of $5 in the value of the liquidation preference of the Viacom Merger Preferred Stock to be paid.

Following discussions between Paramount and Viacom with regard to the terms of this proposal, at a meeting held on November 6, 1993, the Paramount Board considered the terms of the proposed amendments and received the oral opinion of Lazard Freres that as of November 6, 1993 the consideration to be received by Paramount's stockholders in the amended Second Viacom Offer and Second Viacom Second-Step Merger, taken together, was fair to the stockholders of Paramount from a financial point of view.

The Paramount Board, by unanimous vote, (i) approved the November 6 Amendment, (ii) determined that the amended Second Viacom Offer and Second Viacom Second-Step Merger were consistent with and in the furtherance of the long-term business strategy of Paramount and, taken together, were fair to, and in the best interests of, Paramount's stockholders, (iii) recommended approval and adoption of the October 24 Merger Agreement, as amended by the November 6 Amendment, by Paramount's stockholders and (iv) agreed to recommend that holders of Paramount Common Stock tender their shares pursuant to the Second Viacom Offer.

The Board of Directors of Viacom also met on November 6, 1993. At such meeting, the Viacom Board of Directors, by unanimous vote, (i) determined that the October 24 Merger Agreement, as amended by the November 6 Amendment, was fair to, and in the best interests of, the stockholders of Viacom, (ii) approved the October 24 Merger Agreement, as amended by the November 6 Amendment, and (iii) authorized the increase in the per share consideration to be paid in the Second Viacom Offer.

After the meetings, the November 6 Amendment was executed, and Viacom publicly announced the Second Viacom Offer and Second Viacom Second-Step Merger.

On November 12, 1993, QVC amended the First QVC Offer to provide for the purchase of 51% of the shares of Paramount Common Stock at a price of $90 per share (the "Second QVC Offer"). QVC also stated its intention, if it acquired 51% of the shares of Paramount Common Stock pursuant to the Second QVC Offer, to effect a second-step merger on revised terms (the "Second QVC Second-Step Merger"). The revised terms of the Second QVC Second-Step Merger provided that each share of Paramount Common Stock remaining after the consummation of the Second QVC Offer would be exchanged for (i) 1.43 shares of QVC Common Stock and (ii) 0.32 shares of a new series of cumulative convertible exchangeable preferred stock of QVC (the "QVC Merger Preferred Stock"). In addition, at this time Liberty Media terminated its participation as a co-bidder in the Second QVC Offer and BellSouth Corporation ("BellSouth") joined QVC as a co-bidder.

At a meeting held on November 15, 1993, the Paramount Board considered the terms of the Second QVC Offer and Second QVC Second-Step Merger, and the Second Viacom Offer and Second Viacom Second-Step Merger, with its legal and financial advisors. The Paramount Board considered, among other factors, the highly conditional nature of the Second QVC Offer and the financing and other uncertainties (including the then non-binding nature of BellSouth's commitments) with respect to QVC's ability to consummate such offer. The Paramount Board also received the written opinion of Lazard Freres that as of November 15, 1993 the consideration to be received by Paramount's stockholders in the Second Viacom Offer and the Second Viacom Second-Step Merger, taken together, were fair to the stockholders of Paramount from a financial point of view.

The Paramount Board unanimously determined that the Second QVC Offer was not in the best interests of Paramount and its stockholders and recommended that stockholders reject the Second QVC Offer and not tender any of their shares pursuant to the Second QVC Offer.

On November 24, 1993, the Delaware Chancery Court issued a preliminary injunction (the "Preliminary Injuction") in connection with the Delaware litigation commenced by QVC and certain stockholders of Paramount prohibiting Paramount from amending the Rights Agreement to permit completion of the pending Second Viacom Offer, and denying Viacom the ability to exercise its rights pursuant to the amended stock option agreement of Viacom and Paramount (as amended, the "Amended Stock Option Agreement"). However, the Chancery Court upheld the validity of the $100 million termination fee payable to Viacom.

The Preliminary Injunction was appealed by Viacom and Paramount to the Delaware Supreme Court. On December 9, 1993, the Delaware Supreme Court issued an order (the "Order") which (i) affirmed the Preliminary Injunction and (ii) remanded the proceeding to the Delaware Chancery Court for proceedings consistent with the Order. By letter dated December 10, 1993, Paramount's attorneys advised the Delaware Chancery Court that the Paramount Board was to meet on December 13, 1993 to consider how to comply with the Order and the prior order and opinion of the Delaware Chancery Court.

At a meeting held on December 13, 1993, the Paramount Board determined that it was unable to take a position with respect to whether stockholders should accept or reject either the Second QVC Offer or the Second Viacom Offer and requested that Paramount stockholders take no action until they had been further advised of the Paramount Board's positions. The Paramount Board also adopted procedures (the "Bidding Procedures") for the purpose of considering proposals to acquire Paramount. From December 14-17, 1993, a number of letters pertaining to the Bidding Procedures, including proposals for their modification, were exchanged between Paramount's financial and legal advisors and the legal advisors of Viacom and QVC.

The Board of Directors of Viacom held a meeting on December 20, 1993. At such meeting, the Viacom Board, by unanimous vote, approved a proposed exemption agreement (the "Viacom Exemption Agreement") setting forth the Bidding Procedures to be followed by Viacom in connection with the Second Viacom Offer.

Pursuant to the Bidding Procedures, on December 20, 1993, Viacom and QVC each submitted acquisition proposals to the Paramount Board. Viacom's proposal consisted of a continuation of the Second Viacom Offer and Second Viacom Second-Step Merger. QVC's proposal consisted of a revision of the Second QVC Offer to provide for the purchase of 50.1% of the outstanding Paramount shares, on a fully diluted basis, at $92 per share (the "Third QVC Offer") to be followed by a revised second-step merger (the "Third QVC Second-Step Merger") in which each remaining share would be converted into the right to receive (i) 1.43 shares of QVC Common Stock, (ii) 0.32 shares of a new series of 6% cumulative non-convertible exchangeable preferred stock (the "New QVC Merger Preferred Stock") and (iii) 0.32 ten-year warrants to purchase QVC Common Stock.

At a meeting held on December 21 and 22, 1993, the Paramount Board considered (i) the events that had transpired since the Paramount Board's last meeting on December 13, 1993 and (ii) presentations from the Paramount Board's legal and financial advisors with respect to each of the

proposals. The Paramount Board also received the written opinion of Lazard Freres, dated December 21, 1993, stating that as of such date the aggregate consideration payable to Paramount stockholders in the Third QVC Offer and Third QVC Second-Step Merger, taken together, (a) was fair to Paramount stockholders from a financial point of view and (b) was superior from a financial point of view to the aggregate consideration payable in the Second Viacom Offer and the Second Viacom Second-Step Merger, taken together.

The Paramount Board thereupon unanimously (i) approved the terms of a merger agreement (which included a form of exemption agreement; the "QVC Merger Agreement") and a voting agreement between QVC and its principal stockholders, (ii) determined that the Third QVC Offer and Third QVC Second-Step Merger, taken together, were fair to and in the best interests of Paramount's stockholders, (iii) recommended approval and adoption of the QVC Merger Agreement by Paramount's stockholders and (iv) recommended that holders of Paramount Common Stock tender such shares pursuant to the Third QVC Offer. The Paramount Board also (a) recommended that stockholders reject the Second Viacom Offer and not tender any of their shares pursuant to the Second Viacom Offer, (b) authorized the termination of the October 24 Merger Agreement, as amended by the November 6 Amendment, and (c) approved the terms of the Viacom Exemption Agreement (which included a form of merger agreement).

The QVC Merger Agreement and the Viacom Exemption Agreement incorporated the Bidding Procedures previously adopted by the Paramount Board. In addition, the QVC Merger Agreement (as well as the form of merger agreement annexed to the Viacom Exemption Agreement) (i) permitted Paramount to terminate such agreement in order to accept a transaction that offered better value and (ii) contained no stock option, asset lock-up, termination fee, expense reimbursements or other provisions that could deter a higher offer for Paramount.

After the meeting on December 22, Paramount terminated the October 24 Merger Agreement, as amended by the November 6 Amendment, and the QVC Merger Agreement and the Viacom Exemption Agreement were executed by the respective parties.

On January 6, 1994, the Viacom Board of Directors met to consider a proposal to amend and supplement the Second Viacom Offer. At such meeting, the Viacom Board of Directors (i) determined that the Second Viacom Offer, as amended as described below, was fair to and in the best interests of the stockholders of Viacom and (ii) authorized the proposed amendment and supplement to the Second Viacom Offer.

Pursuant to the Bidding Procedures, on January 7, 1994, Viacom amended the terms of the Second Viacom Offer to provide for the purchase of 50.1% of the outstanding shares of Paramount Common Stock, on a fully diluted basis, at $105 per share (the "Third Viacom Offer") and amended the terms of the Second Viacom Second-Step Merger to provide for the exchange of (i) 0.93065 shares of Viacom Class B Common Stock and (ii) 0.30408 shares of Viacom Merger Preferred Stock for each share remaining after consummation of the Third Viacom Offer (the "Third Viacom Second-Step Merger").

At a meeting held on January 12, 1994, the Paramount Board considered presentations from its legal and financial advisors with respect to the Third Viacom Offer and Third Viacom Second-Step Merger, as well as the Third QVC Offer and Third QVC Second-Step Merger. The Paramount Board also received the written opinion of Lazard Freres, dated January 12, 1994, stating that as of such date the aggregate consideration payable to Paramount stockholders in the Third QVC Offer and Third QVC Second-Step Merger, taken together, (i) was fair to Paramount stockholders from a financial point of view and (ii) was superior from a financial point of view to the aggregate consideration payable to Paramount stockholders in the Third Viacom Offer and Third Viacom Second-Step Merger, taken together.

The Paramount Board unanimously (a) recommended that stockholders reject the Third Viacom Offer and not tender any of their shares pursuant to the Third Viacom Offer and (b) reaffirmed (1) its determination that the Third QVC Offer and Third QVC Second-Step Merger, taken together, were

fair to and in the best interests of Paramount's stockholders and (2) its recommendation that holders of Paramount shares tender such shares pursuant to the Third QVC Offer.

On January 17, 1994, the Viacom Board of Directors met to consider a proposed amendment and supplement to the Third Viacom Offer. The Viacom Board of Directors, at such meeting, by unanimous vote, (i) determined that the Third Viacom Offer, as amended and supplemented as described below, was fair to, and in the best interests of, the stockholders of Viacom and (ii) authorized the proposed amendment and supplement to the Third Viacom Offer.

Pursuant to the Bidding Procedures, on January 18, 1994, Viacom increased the per share purchase price in the Third Viacom Offer to $107 (sometimes hereinafter referred to as the "Offer" and sometimes as the "Fourth Viacom Offer") and amended the terms of the Third Viacom Second-Step Merger to provide for the exchange of (i) 0.93065 shares of Viacom Class B Common Stock, (ii) 0.30408 shares of Viacom Merger Preferred Stock, (iii) 0.93065 CVRs and (iv) 0.5 Viacom Three-Year Warrants for each Paramount share remaining after consummation of the Fourth Viacom Offer (the "Fourth Viacom Second-Step Merger").

At a meeting held on January 21, 1994, the Paramount Board considered presentations from its legal and financial advisors with respect to the Fourth Viacom Offer and Fourth Viacom Second-Step Merger, as well as the Third QVC Offer and Third QVC Second-Step Merger. The Paramount Board also received the written opinion of Lazard Freres dated January 21, 1994 stating that as of such date (i) the aggregate consideration payable to Paramount stockholders in the Fourth Viacom Offer and Fourth Viacom Second-Step Merger, taken together, was fair to Paramount stockholders from a financial point of view, (ii) the aggregate consideration payable to Paramount stockholders in the Third QVC Offer and Third QVC Second-Step Merger, taken together, was fair to Paramount stockholders from a financial point of view and (iii) the aggregate consideration payable to Paramount stockholders in the Fourth Viacom Offer and Fourth Viacom Second-Step Merger, taken together, was marginally superior from a financial point of view to the aggregate consideration payable to Paramount stockholders in the Third QVC Offer and Third QVC Second-Step Merger, taken together.

The Paramount Board unanimously (i) approved the terms of a new merger agreement with Viacom (the "January 21 Merger Agreement") and the Paramount Voting Agreement, (ii) determined that the Fourth Viacom Offer and Fourth Viacom Second-Step Merger, taken together, were fair to and in the best interests of Paramount's stockholders, (iii) recommended approval and adoption of the January 21 Merger Agreement by Paramount's stockholders and (iv) recommended that holders of Paramount shares tender such shares pursuant to the Fourth Viacom Offer. The Paramount Board also unanimously (a) recommended that stockholders reject the Third QVC Offer and not tender any of their shares pursuant to such offer and (b) authorized the termination of the QVC Merger Agreement.

After the meeting on January 21, 1994, Paramount terminated the QVC Merger Agreement and entered into the January 21 Merger Agreement, the Paramount Voting Agreement and an exemption agreement with QVC (the "QVC Exemption Agreement"), all in substantially the form previously agreed to by the respective parties on December 22, 1993.

On February 1, 1994, in anticipation of the submission on such date of final bids under the Bidding Procedures, the Board of Directors of Viacom considered a proposed amendment and supplement to the Fourth Viacom Offer pursuant to which Viacom would revise the package of securities to be issued in the Fourth Viacom Second-Step Merger. The Viacom Board of Directors received presentations from the management of Viacom, Smith Barney and its legal advisors with respect to the Fourth Viacom Offer and Fourth Viacom Second-Step Merger and the proposed amendments thereto. The Viacom Board of Directors also received the written opinion of Smith Barney that the Offer and the Paramount Merger, as revised by the proposed amendment and supplement, taken together were fair, from a financial point of view, to Viacom and its stockholders. The opinion of Smith Barney is set forth in full as Annex III of this Proxy Statement/Prospectus. See "--Opinions of Financial Advisors." The Viacom Board of Directors, by unanimous vote (with Mr. H. Wayne Huizenga abstaining) (i) determined that the Offer, as amended and supplemented, was fair to, and in the best interests of, the

stockholders of Viacom and (ii) authorized the Offer. Mr. Huizenga did not disclose to the Viacom Board the reason for his abstention.

Pursuant to the Bidding Procedures, on February 1, 1994, both Viacom and QVC submitted their final proposals for the acquisition of Paramount. Viacom, in proposing the Offer and the Paramount Merger, did not alter the terms of the Fourth Viacom Offer but revised the Fourth Viacom Second-Step Merger to provide for the exchange of (i) 0.93065 shares of Viacom Class B Common Stock, (ii) 0.93065 CVRs, (iii) 0.5 Viacom Three-Year Warrants, (iv) 0.3 Viacom Five-Year Warrants and (v) $17.50 in principal amount of Viacom Merger Debentures for each Paramount share remaining after consummation of the Offer. QVC increased the per share purchase price in the Third QVC Offer to $104 (the "Fourth QVC Offer") and amended the terms of the Third QVC Second-Step Merger to provide for the exchange of (a) 1.2361 shares of QVC Common Stock, (b) 0.2386 shares of New QVC Merger Preferred Stock and (c) 0.32 ten-year warrants for each Paramount share remaining after consummation of the Fourth QVC Offer (the "Fourth QVC Second-Step Merger"). Both the Offer and the Fourth QVC Offer were scheduled to expire at midnight on February 14, 1994.

At a meeting held on February 4, 1994, the Paramount Board considered presentations from its legal and financial advisors with respect to the Offer and the Paramount Merger, as well as the Fourth QVC Offer and Fourth QVC Second-Step Merger. The Paramount Board also received the written opinion of Lazard Freres dated February 4, 1994 stating that as of such date (i) the Viacom Transaction Consideration was fair to Paramount stockholders from a financial point of view, (ii) the QVC Transaction Consideration was fair to Paramount stockholders from a financial point of view and (iii) the Viacom Transaction Consideration was marginally superior from a financial point of view to the QVC Transaction Consideration.

The Paramount Board unanimously (i) approved the terms of the February 4 Merger Agreement (which amended and restated the January 21 Merger Agreement to provide for the terms of the Offer and the Paramount Merger), (ii) determined that the Offer and the Paramount Merger, taken together, were fair to, and in the best interests of, Paramount's stockholders, (iii) recommended approval and adoption of the February 4 Merger Agreement and (iv) recommended that holders of shares of Paramount Common Stock tender such shares pursuant to the Offer. The Paramount Board also unanimously recommended that stockholders reject the Fourth QVC Offer and not tender any of their shares pursuant to such offer. After the meeting on February 4, 1994, Paramount entered into the February 4 Merger Agreement.

At the request of Mr. Donald Oresman of Paramount on February 14, 1994, Lazard Freres delivered a letter, dated February 14, 1994, to Mr. Oresman advising him that, as of February 14, 1994, Lazard Freres reaffirmed its written opinion addressed to the Paramount Board, dated February 4, 1994.

As of midnight on February 14, 1994, approximately 74.6% of the outstanding Paramount shares had been tendered pursuant to the Offer and not withdrawn while approximately 8.5% of the outstanding Paramount shares were validly tendered pursuant to the Fourth QVC Offer and not withdrawn. As a result, pursuant to the Bidding Procedures, on February 15, 1994 Viacom waived certain conditions to the Offer and extended the offer until March 1, 1994 and QVC terminated the Fourth QVC Offer.

By unanimous written consent, effective March 1,1994 the Paramount Board approved an amendment to the Rights Agreement providing that the consummation of the Offer would not cause the rights under the Rights Agreement (the "Rights") to become exercisable. Immediately after midnight on March 1, 1994, all conditions to the Offer were deemed to have been satisfied and Viacom accepted for payment 61,657,432 of the shares of Paramount Common Stock validly tendered and not withdrawn pursuant to the Offer.

On May 26, 1994, the Reconstituted Board of Directors of Paramount and the Viacom Board each approved the May Amendment. The principal purposes of the May Amendment were to (i) add Merger Subsidiary as a party, (ii) provide for the merger of Merger Subsidiary with and into Paramount

(rather than Paramount into Viacom) and (iii) provide for the treatment of Paramount Stock Options in the Paramount Merger as described under "The Paramount Merger--Effect on Employee Benefit Stock Plans."

PURPOSE AND STRUCTURE OF THE PARAMOUNT MERGER

Viacom and NAI's purpose for the Paramount Merger is to acquire beneficial ownership of 100% of the equity of Paramount for the reasons described in "--Background of the Paramount Merger" and "--Reasons for the Paramount Merger; Recommendation of the Board of Directors; Fairness of the Transaction." The Paramount Merger is structured as a merger because it ensures that Viacom will acquire beneficial ownership of 100% of the equity of Paramount in a single transaction. Viacom's acquisition of the shares of Paramount Common Stock owned by the holders of Paramount Common Stock other than Viacom and its subsidiaries will enable Viacom to realize the benefits and bear the risks of complete ownership of Paramount including the opportunity to (i) facilitate inter-company activity between Viacom and Paramount, (ii) permit combinations of management and other resources of Viacom and Paramount, including, among other things, the consolidation and rationalization of Paramount's business and operating structure with a view to improving operations and reducing expenses of Viacom and Paramount (see "--Certain Effects of the Paramount Merger; Operations After the Paramount Merger"), (iii) enable Paramount's management (or any successors thereto) to devote itself to building long-term values for Paramount without concern that such efforts may adversely affect short-term results and the market price for Paramount Common Stock, and (iv) eliminate the need for Paramount to comply with the reporting requirements of the Exchange Act, to maintain separately audited financial statements and to maintain its current listing on the NYSE. In addition, Viacom believes that if Paramount were to continue to have public stockholders, Paramount would require more management time and attention than it would as a wholly owned subsidiary of Viacom.

The Paramount Merger will be effected by causing a wholly owned subsidiary of Viacom to merge with and into Paramount. As a result, Paramount will be the corporation surviving the Paramount Merger and will become a wholly owned subsidiary of Viacom after the Paramount Effective Time.

REASONS FOR THE PARAMOUNT MERGER; RECOMMENDATIONS OF THE BOARD OF DIRECTORS; FAIRNESS OF THE TRANSACTION

Viacom. At the meetings of the Viacom Board of Directors described above in "--Background of the Paramount Merger," the Viacom Board received presentations from Viacom's management regarding the business and prospects of Paramount. The Viacom Board also received further presentations regarding, and reviewed the terms of, the February 4 Merger Agreement and the Offer, as amended and supplemented, with members of Viacom's management and its financial and legal advisors. In making its determination set forth below, the Viacom Board reviewed with Smith Barney its financial analyses, with a view to understanding the bases of its analyses and opinions, and reviewed and discussed with management the results of management's due diligence investigations, the business opportunities created by a combined Viacom-Paramount and risks associated with the transactions. By a unanimous vote (with one director abstaining) of directors at a special meeting of the Board of Directors of Viacom held on February 1, 1994, the Viacom Board of Directors determined that the Offer and the Paramount Merger, taken together, are fair to and in the best interests of Viacom and its stockholders, approved the Offer and the Paramount Merger and resolved to recommend that the stockholders of Viacom vote FOR approval of the February 4 Merger Agreement and related transactions.

In reaching its conclusion to enter into the February 4 Merger Agreement, the Viacom Board of Directors considered the following material factors:

1. The fact that Paramount and Viacom have businesses that are highly complementary to each other and the fact that such businesses consist of many well-known entertainment and media franchises; in particular, that:

. the combination of Paramount and Viacom will bring together the creative talent, intellectual property, managerial resources and trademarks of Paramount and Viacom;

. each company would add enhanced and complementary distribution capabilities;

. the combination of Paramount with Viacom would be able to penetrate markets and achieve business goals that would otherwise be more difficult to achieve; and

. as a result of all of the foregoing, combining Paramount with Viacom would create a company better positioned than each of the companies would be separately to adapt and benefit from technological and other developments in the distribution and form of entertainment programming and to successfully meet competitive challenges;

2. The terms of the proposed transaction including the terms of the securities to be issued in the Paramount Merger, and the fact that the Viacom Board believes that for the reasons discussed in paragraphs 1, 3, 4 and 5, the prospects for earnings before interest, taxes, depreciation and amortization and earnings per share will be enhanced by the Paramount Merger;

3. The financial condition of a combined Viacom and Paramount, the impact of the Paramount Merger on the ability of the resultant entity to pursue further growth through acquisition or the development of new or complementary businesses and the anticipated ability of a combined Viacom and Paramount to meet its financial obligations;

4. The fact that Viacom and Paramount are each pursuing international business strategies and that the combination is expected to result in a strongly enhanced international presence and to enable the sharing of knowledge of international markets;

5. The fact that the combination of Paramount and Viacom is expected to result in significant opportunities for increased revenues from (i) cross-promotion and utilization of Viacom's and Paramount's well-known brand names, such as using Viacom's Showtime, MTV and Nickelodeon brands to enhance Paramount's live entertainment businesses, (ii) the utilization of distribution capabilities of each company to distribute products of the other (for example, the distribution of Paramount's theatrical motion picture library on an existing or new cable network of Viacom or the development of a broadcast network) and (iii) the development of new businesses based upon the management and creative skills of a combined Viacom and Paramount (for example, the development of retail stores based on the combined characters and trademarks of Viacom and Paramount); and the fact that Viacom and Paramount could achieve cost reductions through the combination of similar businesses and economies of scale;

6. Smith Barney's opinion to the effect that, as of February 1, 1994, the proposed financial terms of the Offer and the Paramount Merger, taken together, were fair, from a financial point of view, to Viacom and its stockholders, whether or not the Blockbuster Merger is consummated (in this respect, while the Viacom Board of Directors did not explicitly adopt Smith Barney's financial analyses, the Viacom Board of Directors took such analyses into account in its overall evaluation of the Offer and Paramount Merger);

7. The fact that NAI is the owner of approximately 85% of the outstanding voting stock of Viacom; the fact that, as a result of the proposed Paramount Merger, NAI would continue to hold approximately 85% of the outstanding voting stock of Viacom and as a result of the proposed Mergers, NAI would continue to hold approximately 61% of the outstanding voting stock of the combined company; and the fact that the Paramount Merger Consideration consists of no shares of Viacom Class A Common Stock. In this regard, the Viacom Board of Directors also noted that the economic interests of NAI and Viacom's public stockholders are aligned in connection with the Offer and the Paramount Merger; and

8. Certain risks associated with the proposed transaction, as set forth under "Certain Considerations."

The Viacom Board considered that the combination of Viacom and Paramount with Blockbuster would provide additional business opportunities of the kind specified above. However, the Viacom Board concluded that, even without Blockbuster, the combination of Viacom with Paramount could be financed on a reasonable basis and would result in all of the benefits described above.

In view of the wide variety of factors considered by the Viacom Board, the Viacom Board did not find it practicable to quantify or otherwise attempt to assign relative weights to the specific factors considered in making its determination. However, as a general matter, the Viacom Board believed that the factors discussed in paragraphs 1, 2, 4, 5 and 6 supported its decision to approve the Offer and the Paramount Merger and outweighed the risks associated therewith referred to in paragraph 8.

Viacom believes that the consideration paid in the Offer and the Paramount Merger, taken together, is fair to the stockholders of Paramount. Viacom's belief is based upon the fact that the terms of the Offer and the February 4 Merger Agreement were the product of arm's-length negotiations between Viacom, Paramount and their respective financial and legal advisors and were approved by the Paramount Board at a time when none of Viacom, NAI or Sumner M. Redstone (or any of their affiliates) was a member of the Paramount Board; that the Paramount Board received a fairness opinion from Lazard Freres, which was reaffirmed on February 14, 1994; and that the terms of the Offer and Paramount Merger were agreed to following an extensive public bidding process. While the Paramount Merger does not require the approval of a majority of the unaffiliated stockholders of Paramount, Viacom believes that the Paramount Merger is procedurally fair to Paramount stockholders for the reasons set forth above. In addition, as the terms of the Paramount Merger were disclosed to Paramount stockholders at the time they made their decision to tender their shares, the Paramount unaffiliated stockholders in effect selected the Paramount Merger by virtue of tendering into the Offer. Each of NAI and Mr. Redstone, in his individual capacity, have determined that the consideration paid in the Offer and the Paramount Merger, taken together, is fair to the unaffiliated stockholders of Paramount and in making such determination each has adopted the reasons of the Viacom Board set forth above.

On May 26, 1994, the Viacom Board approved the May Amendment.

THE BOARD OF DIRECTORS OF VIACOM RECOMMENDS THAT HOLDERS OF VIACOM CLASS A COMMON STOCK VOTE FOR APPROVAL OF THE PARAMOUNT MERGER AGREEMENT AND RELATED TRANSACTIONS.

Paramount. At its February 4, 1994 meeting, the Paramount Board considered presentations from its legal and financial advisors with respect to the Offer and the Paramount Merger, as well as the Fourth QVC Offer and the Fourth QVC Second-Step Merger. It unanimously (i) approved the terms of the February 4 Merger Agreement and authorized its execution and delivery, (ii) determined that the Offer and the Paramount Merger, taken together, were fair to, and in the best interests of, Paramount's stockholders, (iii) recommended approval and adoption of the February 4 Merger Agreement by Paramount's stockholders and (iv) recommended that holders of shares of Paramount Common Stock tender their shares pursuant to the Offer. The Paramount Board also unanimously recommended that stockholders reject the Fourth QVC Offer and not tender any of their shares pursuant to the Fourth QVC Offer.

The Paramount Board, in reaching its conclusions, gave consideration to the following material factors:

(i) The presentation by Lazard Freres to the Paramount Board and its written opinion dated February 4, 1994 stating that as of such date (a) the Viacom Transaction Consideration was fair to Paramount stockholders from a financial point of view, (b) the QVC Transaction Consideration was fair to Paramount stockholders from a financial point of view and (c) the Viacom Transaction Consideration was marginally superior to the QVC Transaction Consideration from a financial point of view;

(ii) The Paramount Board's determination, taking into account Lazard Freres' presentation and written opinion, that the Offer and the Paramount Merger, taken together, represented the best value available under the circumstances to Paramount stockholders. This determination was also based upon the Paramount Board's view that the Viacom Transaction Consideration has a more certain value than the QVC Transaction Consideration because (a) the Viacom Transaction Consideration contains a larger percentage of cash and securities readily susceptible to valuation than the QVC Transaction Consideration and (b) the CVRs to be issued in the Paramount Merger would afford a degree of value assurance protection to Paramount stockholders with respect to the Viacom Class B Common Stock to be issued in the Paramount Merger;

(iii) The terms and provisions of the February 4 Merger Agreement, including the following:

(a) The bidding procedures incorporated in the February 4 Merger Agreement (and in the QVC Exemption Agreement) that were designed to remove the coercive element from any offer by QVC or Viacom and to provide stockholders with a meaningful choice between a tender offer from QVC or Viacom;

(b) Paramount's right to terminate the February 4 Merger Agreement in order to accept a transaction that offers better value; and

(c) The absence of any stock option, asset lock-up, termination fee, expense reimbursements or other provisions that could deter a higher offer for Paramount; and

(iv) The conditions to the Offer and the Paramount Board's determination that all such conditions had been satisfied or could reasonably be expected to be satisfied by the expiration date of the Offer.

Each of the Viacom Board and the Paramount Board asked extensive questions of its respective financial advisor concerning all aspects of the Offer and the Paramount Merger and, in the context of the Paramount Board, the QVC Merger, including questions concerning valuation techniques and comparative results.

On May 26, 1994, the Reconstituted Paramount Board of Directors approved the May Amendment.

In the context of the auction of Paramount, the Paramount Board was faced with competing offers from Viacom and QVC, each of which contemplated a first step cash tender offer for a majority of Paramount stock which would thereby permit consummation of a specified second step merger without any vote of the unaffiliated shareholders of Paramount. The Paramount Board approved the Paramount Merger as part of its recommendation to the stockholders of Paramount that they tender their shares to Viacom pursuant to the Offer. Since the terms of the second step merger were disclosed to the Paramount stockholders at the time they made their decision to tender their shares, the Paramount unaffiliated stockholders in effect selected the Paramount Merger by virtue of tendering into the Offer. Tendering into the Offer and approval of the Paramount Merger do not prevent stockholders of Paramount who have not voted in favor of the Paramount Merger from exercising their rights to appraisal. See "Dissenting Stockholders' Rights of Appraisal."

OPINIONS OF FINANCIAL ADVISORS

Smith Barney has delivered its written opinion to the Viacom Board that as of February 1, 1994, the financial terms of the Offer and the Paramount Merger, taken together, were fair, from a financial point of view, to Viacom and its stockholders, whether or not the Blockbuster Merger is consummated. VIACOM STOCKHOLDERS ARE URGED TO READ THIS OPINION IN ITS ENTIRETY FOR ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITS OF REVIEW BY SMITH BARNEY. Smith Barney did not make or seek to obtain an appraisal of Viacom's, Paramount's or Blockbuster's assets in rendering its opinion. No limitations were imposed by the Viacom Board upon Smith Barney with respect to the investigations made or procedures followed by it in rendering its opinion. Smith Barney has not been requested to update its opinion to the date of this Proxy Statement/Prospectus.

Copies of the February 1, 1994 opinion of Smith Barney and related written presentation to the Viacom Board have been filed as exhibits to the Schedule 13E-3 filed with the Commission with respect to the Paramount Merger and may be inspected and copied, and obtained by mail, from the Commission as set forth in "Available Information" and will be made available for inspection and copying at the principal executive offices of Viacom International at 1515 Broadway, New York, New York 10036 during regular business hours by any interested public stockholder of Paramount or his or her representative who has been so designated in writing.

THE FULL TEXT OF THE OPINION OF SMITH BARNEY, WHICH SETS FORTH ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITS ON THE REVIEW UNDERTAKEN BY SMITH BARNEY, IS ALSO ATTACHED HERETO AS ANNEX III TO THIS PROXY STATEMENT/PROSPECTUS. SMITH BARNEY'S OPINION IS DIRECTED ONLY TO THE FINANCIAL TERMS OF THE OFFER AND PARAMOUNT MERGER TAKEN TOGETHER AND DOES NOT (I) ADDRESS THE FINANCIAL TERMS OF THE OFFER OR THE PARAMOUNT MERGER INDEPENDENT OF THE OTHER OR (II) CONSTITUTE A RECOMMENDATION TO ANY VIACOM STOCKHOLDER AS TO HOW SUCH STOCKHOLDER SHOULD VOTE AT THE VIACOM SPECIAL MEETING. THE SUMMARY OF THE OPINION OF SMITH BARNEY SET FORTH IN THIS PROXY STATEMENT/PROSPECTUS IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION.

In arriving at its opinion, Smith Barney (i) reviewed the Offer; (ii) reviewed the January 21 Merger Agreement in the form presented to the Viacom Board; (iii) met with certain senior officers of Viacom, Blockbuster and Paramount to discuss the business, operations, assets, financial condition and prospects of their respective companies; (iv) examined certain publicly available business and financial information relating to Viacom, Blockbuster and Paramount, and certain financial forecasts and other data for Viacom, Blockbuster and Paramount which were provided to Smith Barney by the senior management of Viacom, Blockbuster and Paramount, respectively, which are not publicly available; (v) took into account certain long-term strategic benefits of the Paramount Merger and the Blockbuster Merger, both operational and financial, that were described to Smith Barney by Viacom, Blockbuster and Paramount senior management; and (vi) reviewed the financial terms of the Offer and the Paramount Merger as set forth in the revised Offer to Purchase of Viacom used in connection with the Offer and of the Blockbuster Merger as set forth in the Blockbuster Merger Agreement, in relation to, among other things, current and historical market prices and trading volumes of Viacom Common Stock, Paramount Common Stock and Blockbuster Common Stock; the earnings and book value per share of each of Viacom, Paramount and Blockbuster; and the capitalization and financial condition of each of Viacom, Paramount and Blockbuster. Smith Barney also considered, to the extent publicly available, the financial terms of certain other business combination transactions which Smith Barney considered relevant in evaluating the Offer and Paramount Merger and the Blockbuster Merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies that they considered relevant in evaluating Viacom, Blockbuster and Paramount. Smith Barney also evaluated the pro forma financial impact of the Offer and Paramount Merger and of the Blockbuster Merger on Viacom. In addition to the foregoing, Smith Barney conducted such other analyses and examinations and considered such other financial, economic and market criteria as it deemed necessary in arriving at its opinion.

In arriving at its opinion, Smith Barney relied, without independent verification, upon the accuracy and completeness of all financial and other information publicly available or furnished to or otherwise discussed with it, including certain financial forecasts and other information prepared by Viacom management and set forth in the February 1, 1994 Viacom Board Presentation filed as an exhibit to the Schedule 13E-3 filed with the Commission with respect to the Paramount Merger. With respect to financial forecasts and other information provided to or otherwise discussed with it, Smith Barney assumed that such forecasts and other information were reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective senior managements of Viacom, Blockbuster and Paramount as to the expected future financial performance of Viacom, Blockbuster and Paramount. Smith Barney also relied upon the views of the management of Viacom, Paramount and Blockbuster in assuming that certain long-term strategic benefits, both operational and financial, will result from each of the Offer, the Paramount Merger and the Blockbuster Merger. Smith Barney expressed no opinion as to what the value of the Paramount Merger Consideration will be when issued to Paramount stockholders pursuant to the Paramount Merger or the price at which the Paramount Merger Consideration will trade subsequent to the Paramount Merger. Smith Barney has not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Viacom, Blockbuster or Paramount nor have they made any physical inspection of the properties or assets of Viacom, Blockbuster or Paramount. Smith Barney's opinion was based upon

financial, stock market and other conditions and circumstances existing and disclosed to it as of the date of its opinion.

February 1, 1994 Viacom Board Presentation

At the February 1, 1994 meeting of the Viacom Board of Directors, Smith Barney presented information and materials relating to the following matters: (i) the proposed Offer and Paramount Merger, (ii) the pro forma impact to Viacom of two different business combination scenarios (a combined Viacom and Paramount and a combined Viacom, Paramount and Blockbuster), and (iii) quantitative analysis relating to the foregoing matters.

THE OFFER AND THE PARAMOUNT MERGER

Transaction Overview

Smith Barney presented to the Viacom Board a summary of the Offer and Paramount Merger, including the following:

. An overview of the key elements of the Offer and the Paramount Merger.

. A comparison of the per share consideration at face value ($86.28 compared to $83.46) and trading value ($84.17 compared to $80.30) of the Fourth Viacom Offer and the Third Viacom Offer.

. An overview of the aggregate consideration at face value (approximately $10.53 billion) and trading value (approximately $10.27 billion) of the Offer.

. A summary of the sources of financing for the Paramount Merger.

Viacom Merger Debentures

. A summary list of the terms of the Viacom Merger Debentures and the advantages of their use in the Paramount Merger.

The advantages and disadvantages of the Viacom Merger Debentures, as compared to the use of the Viacom Merger Preferred Stock included in the Third Viacom Second-Step Merger, were discussed by Smith Barney as follows:

. Lower after-tax cost equivalent Viacom Merger Debentures than Viacom Merger Preferred Stock for the first three years.

. Issuing Viacom Merger Debentures would allow Viacom to take advantage of greater leverage capability if Blockbuster Merger is consummated.

. Viacom Merger Debentures estimated to trade at par value versus 20% discount for the Viacom Merger Preferred Stock under then existing market conditions.

The advantages and disadvantages of the Viacom Exchange Debentures were not discussed with the Viacom Board by Smith Barney.

Valuation Analyses

Smith Barney also reviewed with the Viacom Board the analyses discussed below relating to the valuation of Paramount which reflected the significant changes that occurred in the valuation being placed on the entertainment companies since Viacom and Paramount announced the Original Merger in September 1993.

Public and Precedent Private Market Breakdown

Smith Barney reviewed with the Viacom Board the public and private market breakdown analysis of Paramount. Based on the comparable company and selected transaction analyses discussed below, Smith Barney explained to the Viacom Board that this analysis consisted of the valuation of each of Paramount's significant component business segments, which valuation consists of an analysis of the multiples at which companies in lines of businesses comparable to such Paramount business segments trade in the public market. The two industries Smith Barney analyzed were the entertainment and publishing industries, however, such analyses were extended into more specific segments of these industries. The entertainment industry was divided into the film/entertainment, movie theaters, cable programming and broadcasting segments. The publishing industry was segmented into educational, consumer and professional publishing. The combination of the selected comparable company and selected comparable transactions analyses generated an equity value range of approximately $6.5 billion to $11.2 billion in the aggregate, or approximately $53.13 to $90.95 per share.

Analysis of Public Trading Valuation of Selected Comparable Companies

Smith Barney presented to the Viacom Board an analysis of the public trading valuation of selected comparable companies, including share price, market value, adjusted market value, multiples of market value and multiples of adjusted market value. Smith Barney also discussed a five-year estimated earnings per share growth for such selected comparable companies. All earnings per share figures for the Comparable Companies were based on the consensus net income estimates of selected investment banking firms and all earnings per share estimates for Viacom and Paramount were based on internal estimates.

Such comparable companies that Smith Barney examined included A.H. Belo Corporation, Ackerly Communications, Inc., Capital Cities/ABC, Inc., Carmike Cinemas, Inc., CBS Inc., Cineplex Odeon Corporation, Clear Channel Communications, Inc., Gaylord Entertainment Co., Granite Broadcasting Corporation, Harcourt General, Inc., Heritage Media Corporation, Houghton Mifflin Company, International Family Entertainment, Inc., John Wiley & Sons, Inc., King World Productions, Inc., Liberty Media Corporation, Marvel Entertainment Group, Inc., McGraw Hill, Inc., Multimedia, Inc., New Line Cinema Corporation, News Corporation Limited, Outlet Communications, Inc., Park Communications Inc., Plenum Publishing Corporation, Reader's Digest Association, Inc., Scholastic Corporations, Scripps Howard Broadcasting Co., The Walt Disney Company, Thomas Nelson, Inc., Time Warner, Inc., Turner Broadcasting System, Inc., United Television, Inc., Waverly, Inc. and Western Publishing Group, Inc.

Smith Barney compared market values as multiples to, among other things, latest 12 months after-tax cash flow, book value, and estimated calendar 1993 and 1994 net income for both the entertainment and publishing industries. The respective multiples of the entertainment comparable companies were between the following ranges: (i) latest 12 months after tax cash flow: 5.6x to 67.6x (with a mean of 16.0x and a median of 13.7x); (ii) book value: 1.0x to 12.7x (with a mean of 5.3x and a median of 3.9x); (iii) estimated 1993 calendar net income: 14.7x to 74.5x (with a mean of 26.0x and a median of 22.4x); and (iv) estimated calendar 1994 net income: 13.5x to 46.4x (with a mean of 20.9x and a median of 19.1x). The respective multiples of the publishing comparable companies were between the following ranges: (i) latest 12 months after tax cash flow: 6.3x to 44.6x (with a mean of 17.0x and a median of 11.4x); (ii) book value: 1.8x to 21.3x (with a mean of 5.1x and median of 3.4x); (iii) estimated 1993 calendar net income: 16.1x to 44.0x (with a mean of 23.3x and a median of 20.6x); and (iv) estimated calendar 1994 net income: 11.7x to 32.7x (with a mean of 19.2x and a median of 17.5x).

Smith Barney compared adjusted market capitalization to, among other things, historical net revenues; EBITDA and EBIT of the comparable companies. The entertainment comparable companies for the respective multiples were between the following ranges: (i) latest 12 months net revenue: 1.0x to 5.4x (with a mean of 2.8x and a median of 2.4x); (ii) latest 12 months EBITDA: 6.9x to 31.6x (with a

mean of 12.1x and a median of 9.9x); and (iii) latest 12 months EBIT: 7.4x to 41.4x (with a mean of 18.2x and a median of 15.2x). The publishing comparable companies for the respective multiples were between the following ranges: (i) latest 12 months net revenue: 0.6x to 20.0x (with a mean of 3.6x and a median of 1.5x); (ii) latest 12 months EBITDA: 5.3x to 25.1x (with a mean of 12.2x and a median of 10.7x); and (iii) latest 12 months EBIT: 6.7x to 34.4x (with a mean of 18.3x and a median of 16.1x).

Smith Barney also presented an analysis of operating statistics of the comparable companies including, among other things, operating margins (in relation to EBITDA, EBIT and after tax cash flow), three year historical revenue growth, three year average EBITDA and EBIT margins, and debt to capitalization ratios, in each case as compared to Paramount.

Analysis of Selected Transactions

Smith Barney analyzed, among other things, the purchase prices as multiples of net income and book value of the selected mergers and acquisitions and transaction value as a multiple of revenues, EBITDA and total assets of the selected mergers and acquisitions and compared these multiples with the multiples of Paramount's performance implied by the Paramount merger consideration. As set forth above under "Analysis of Public Trading Valuation of Selected Comparable Companies," the analysis consisted of the valuation of each of Paramount's significant component segments business, including the entertainment and publishing industries.

Such comparable transactions that Smith Barney reviewed included the acquisition by Turner Broadcasting System, Inc. of New Line Cinema Corporation, the acquisition by Turner Broadcasting System, Inc. of Castle Rock Entertainment, the acquisition by Matsushita Acquisition Corporation of MCA Inc., the acquisition by Sony USA Inc. of Columbia Pictures Entertainment Inc., the acquisition by Time Inc. of Warner Communications Inc., the acquisition by McGraw Hill, Inc. of Macmillan-McGraw Hill School Publishing Co. and the acquisition by General Cinema Corp. of Harcourt Brace Jovanovich, Inc.

The multiples of net income and book value for the entertainment selected transactions were between the following ranges: (i) latest 12 months net income: 27.3x to 49.9x (with a mean of 43.1x and a median of 28.4x); and (ii) book value: 1.7x to 11.2x (with a mean of 7.8x and a median of 4.3x). The multiples of revenues, EBITDA and total assets for the entertainment selected transactions were between the following ranges: (i) revenues: 0.9x to 9.9x (with a mean of 2.9x and a median of 1.9x); (ii) EBITDA: 9.3x to 21.1x (with a mean of 14.5x and a median of 13.3x); and (iii) total assets: 0.7x to 3.3x (with a mean of 1.6x and a median of 1.1x). The multiples of net income and book value for the publishing selected transactions were between the following ranges: (i) latest 12 months net income: 13.8x to 56.9x (with a mean of 31.2x and a median of 29.4x); and (ii) book value: 5.0x to 11.2x (with a mean of 7.3x and a median of 7.0x). The multiples of revenues, EBITDA and total assets for the publishing selected transactions were between the following ranges: (i) revenues: 1.1x to 2.7x (with a mean and a median of 2.0x); (ii) EBITDA: 6.2x to 14.8x (with a mean of 10.3x and a median of 10.0x); and (iii) total assets: 0.5x to 6.6x (with a mean of 2.7x and a median of 2.1x).

No company, transaction or business used in the comparable company and selected merger and acquisition transactions analyses as a comparison is identical to Viacom or Paramount or the Viacom/Paramount merger. Accordingly, an analysis of the results of the foregoing is not entirely mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that can affect the acquisition or public trading value of the comparable companies or the business segment or company to which they are being compared.

Discounted Cash Flow Analysis

Smith Barney discussed with the Viacom Board its updated DCF analysis of Paramount, identifying the difficulty of preparing long term forecasts with respect to Paramount's business due to the "hit

driven" nature of the business. Smith Barney also reviewed with the Viacom Board certain projections contained in the DCF analysis and the assumptions underlying such projections. In its DCF analysis, Smith Barney applied discount rates ranging between 10% and 12%, and applied terminal value multiples ranging between 14.0x and 16.0x EBITDA. This analysis generated an equity value range of approximately $9.0 billion to $11.0 billion in the aggregate, or approximately $73.22 to $89.53 per share.

Smith Barney noted that each of the foregoing analyses may be subject to change depending upon the availability of new information which may have the effect of changing the ascribed valuation per share.

PRO FORMA IMPACT

Smith Barney presented to the Viacom Board information concerning the pro forma impact of the Paramount Merger, including the following:

No CVR Liability

. A pro forma summary of the impact of the Paramount Merger, assuming no payment under the CVRs (with and without giving effect to the Blockbuster Merger), on Viacom's pro forma stock price and cash flow per share, estimated for the years 1994 to 1996, and the ratios of debt to EBITDA and EBITDA to net interest and preferred dividend requirements, estimated for the years 1993 to 1996.

CVR Liability

. A pro forma summary of the impact of the Fourth Viacom Offer, assuming a $10 per share CVR payment and of the impact of the Paramount Merger to Viacom (with and without giving effect to the Blockbuster Merger) and assuming $12 and $7 per share CVR payments on Viacom's pro forma stock price and cash flow per share for the years 1994 to 1996, and the ratios of debt to EBITDA and EBITDA to net interest and preferred dividends for the years 1993 to 1996.

The pro forma impact summaries were based upon the detailed quantitative analysis discussed below.

Quantitative Analysis

Combined Company

Smith Barney presented to the Viacom Board an analysis of the Paramount Merger (assuming consummation of the Blockbuster Merger (assuming the exercise of VCRs resulting in a weighted average Class B exchange ratio of 0.66544), the expiration of the CVRs without liability and the exercise of the Viacom Warrants), that included:

. A transaction structure and an analysis of the Paramount Merger setting forth the kind and amount of securities to be issued in the Paramount Merger, the source and use of funds and the per share consideration to be paid to Paramount stockholders in the Paramount Merger. Smith Barney also discussed the impact of the use of convertible preferred stock and convertible debt as part of the consideration in the Paramount Merger.

. An analysis of the pro forma impact of the Paramount Merger to Viacom (with and without giving effect to the impact on Viacom of the sale of convertible preferred stock to NYNEX and Blockbuster if the Offer and Paramount Merger were not consummated), Paramount and Blockbuster on stand-alone bases, including with respect to estimated 1994 revenue, cash flow and net income, estimated 1993 and 1994 leverage and estimated earnings per share, cash flow per share and EBITDA for 1993, 1994 and 1995. Smith Barney noted that the 1993 pro forma EBITDA for the Paramount

Merger and the Blockbuster Merger was $1,471 million (assuming no impact of potential synergies, which are considered to be substantial in subsequent years), the 1993 pro forma combined total debt was $9,763 million (includes Viacom Merger Debentures issued to Paramount stockholders as part of the Paramount Merger Consideration but does not include Viacom Preferred Stock issued to NYNEX), and the 1993 pro forma combined total cash was $784 million (includes estimated deductions for merger transaction fees). The accretive/(dilutive) impact of the Paramount Merger (assuming consummation of the Blockbuster Merger and expiration of the CVRs without liability) for 1994 and 1995 when compared against Viacom on a stand-alone basis (assuming sale of convertible preferred to NYNEX) was as follows: (i) estimated earnings per share: 2.7% and 18.8%, respectively; (ii) cash flow per share: 19.2% and 21.6%, respectively; and (iii) EBITDA (Viacom's EBITDA on a stand-alone basis as compared to the relative "ownership" of total pro forma EBITDA): 8.7% and 13.0%, respectively. The pro forma analysis assumed a certain level of long-term strategic benefits which were based upon the views of Viacom management.

. An analysis of the combined company's compliance with certain bank covenants and an analysis of relative ratios of debt to EBITDA, debt and preferred stock to EBITDA, EBITDA to net interest and EBITDA to net interest and preferred dividends.

. An analysis of the share ownership of Viacom by Viacom's management, Paramount stockholders, and Blockbuster stockholders and NYNEX, both on stand-alone bases and pro forma giving effect to the Paramount Merger.

. An analysis of the estimated 1993 through 2003 Viacom implied pro forma stock prices, assuming consummation of the Blockbuster Merger and the Offer and the Paramount Merger.

. A summary of refinancings of existing debt and new borrowings by Viacom, Paramount and Blockbuster, on stand-alone bases and pro forma giving effect to the Offer and the Paramount Merger, both actual and estimated.

. An estimated 1993 and 1994 pro forma combined income statement comparison of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and pro forma giving effect to the Blockbuster Merger and the Offer and the Paramount Merger, as well as a pro forma combined income statement of the combined company for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 earnings per share of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and with pro forma earnings per share giving effect to the Blockbuster Merger and the Paramount Merger, as well as an earnings per share dilution analysis for the combined company for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 cash flow of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and with pro forma cash flow giving effect to the Blockbuster Merger and the Offer and the Paramount Merger, as well as a cash flow dilution/accretion analysis for the combined company for the years 1994 to 2003.

. A pro forma EBITDA analysis (including projected synergies), income tax calculation and pro forma combined cash flow statement and a debt amortization schedule, all estimated for the years 1993 to 2003.

. A pro forma interest expense table of the estimated combined company, estimated for the years 1994 to 2003, and a pro forma balance sheet for the combined company.

Smith Barney presented to the Viacom Board an analysis of the Paramount Merger (assuming the expiration of the CVRs without liability and the exercise of the Viacom Warrants), that included:

. A transaction structure and an analysis of the Paramount Merger setting forth the kind and amount of securities to be issued in the Paramount Merger, the source and use of funds and the per share consideration to be paid to Paramount stockholders in the Paramount Merger. Smith Barney also discussed the impact of the use of convertible preferred stock and convertible debt as part of the consideration in the Paramount Merger.

. An analysis of the pro forma impact of the Paramount Merger to Viacom (with and without giving effect to the impact on Viacom of the sale of Viacom Preferred Stock to NYNEX and Blockbuster if the Offer and Paramount Merger were not consummated), Paramount and Blockbuster on stand-alone bases, including with respect to estimated 1994 revenue, cash flow and net income, estimated 1993 and 1994 leverage and estimated earnings per share, cash flow per share and EBITDA for 1993, 1994 and 1995. Smith Barney noted that the 1993 pro forma EBITDA for the Paramount Merger was $1,015 million (assuming no impact of potential synergies, which are considered to be substantial in subsequent years), the 1993 pro forma combined total debt was $6,949 million (does not include Series C Preferred Stock potentially issued to Paramount stockholders as part of the Paramount Merger Consideration and Viacom Preferred Stock issued to NYNEX and Blockbuster), and the 1993 pro forma combined total cash was $494 million (includes estimated deductions for merger transaction fees). The accretive/(dilutive) impact of the Paramount Merger (assuming no consummation of the Blockbuster Merger and expiration of the CVRs without liability) for 1994 and 1995 when compared against Viacom on a stand-alone basis (assuming sale of convertible preferred to NYNEX and Blockbuster) was as follows: (i) estimated earnings per share: (38.3)% and (25.4)%, respectively; (ii) cash flow per share: 21.5% and 14.3%, respectively; and (iii) EBITDA (Viacom's EBITDA on a stand-alone basis as compared to the relative "ownership" of total pro forma EBITDA): (3.0)% and (6.6)%, respectively. The pro forma analysis assumed a certain level of long-term strategic benefits which were based upon the views of Viacom management.

. An analysis of the Viacom/Paramount entity's compliance with certain bank covenants and an analysis of relative ratios of debt to EBITDA, debt and preferred stock to EBITDA, EBITDA to net interest and EBITDA to net interest and preferred dividends.

. An analysis of the share ownership of Viacom by Viacom's management, Paramount stockholders, and Blockbuster stockholders and NYNEX, both on stand-alone bases and pro forma giving effect to the Paramount Merger.

. An analysis of the estimated 1993 through 2003 Viacom implied pro forma stock prices, assuming the use of Viacom Warrants in the Paramount Merger.

. A summary of refinancings of existing debt and new borrowings by Viacom and Paramount, on stand-alone bases and pro forma giving effect to the Paramount Merger both actual and estimated.

. An estimated 1993 and 1994 pro forma combined income statement comparison of Viacom both on stand-alone bases with and without giving effect to the conversion of the Viacom Preferred Stock, and pro forma giving effect to the Paramount Merger, as well as a pro forma combined income statement of the Viacom/Paramount entity for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 earnings per share of Viacom both on stand-alone bases with and without giving effect to the conversion of the Viacom Preferred Stock, and with pro forma earnings per share giving effect to the Paramount Merger, as well as an earnings per share dilution analysis for the Viacom/Paramount entity for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 cash flow of Viacom both on stand-alone bases with and without giving effect to the conversion of the Viacom Preferred Stock, and with pro forma cash flow giving effect to the Paramount Merger, as well as a cash flow dilution/accretion analysis for the Viacom/Paramount entity for the years 1994 to 2003.

. A pro forma EBITDA analysis (including projected synergies), income tax calculation and pro forma combined cash flow statement and a debt amortization schedule, all estimated for the years 1993 to 2003.

. A pro forma interest expense table of the estimated Viacom/Paramount entity, estimated for the years 1994 to 2003, and a pro forma balance sheet for the Viacom/Paramount entity.

Combined Company

Smith Barney presented to the Viacom Board an analysis of the Paramount Merger assuming consummation of the Blockbuster Merger (assuming the exercise of VCRs resulting in a weighted average Class B exchange ratio of 0.66544), liability per CVR of $12 per share and the exercise of the Viacom Warrants (although the occurrence of the exercise of the Viacom Warrants as well as liability under the CVRs and the exercise of VCRs resulting in an increased overall Class B exchange ratio would take place only under limited circumstances, these assumptions were utilized to provide a conservative analysis to the Viacom Board). The Smith Barney presentation included:

. A transaction structure and an analysis of the Paramount Merger setting forth the kind and amount of securities to be issued in the Paramount Merger, the source and use of funds in the per share consideration to be paid to Paramount stockholders and the Paramount Merger. Smith Barney also discussed the impact of the use of convertible preferred stock, convertible debt and contingent value rights as part of the consideration in the Paramount Merger.

. An analysis of the pro forma impact of the Paramount Merger to Viacom (with and without giving effect to the impact on Viacom of the sale of Viacom Preferred Stock to NYNEX and Blockbuster if the Offer and Paramount Merger were not consummated), Paramount and Blockbuster on stand-alone bases, including with respect to estimated 1994 revenue, cash flow and net income, estimated 1993 and 1994 leverage and estimated earnings per share, cash flow per share and EBITDA for 1993, 1994 and 1995. Smith Barney noted that the 1993 pro forma EBITDA for the Paramount Merger and the Blockbuster Merger was $1,471 million (assuming no impact of potential synergies, which are considered to be substantial in subsequent years), the 1993 pro forma combined total debt was $10,448 million (includes Viacom Merger Debentures issued to Paramount stockholders as part of the Paramount Merger Consideration but does not include Viacom Preferred Stock issued to NYNEX), and the 1993 pro forma combined total cash was $784 million (includes estimated deductions for merger transaction fees). The accretive/(dilutive) impact of the Paramount Merger (assuming consummation of the Blockbuster Merger and expiration of the CVRs with liability) for 1994 and 1995 when compared against Viacom on a stand-alone basis (assuming sale of convertible preferred to NYNEX) was as follows: (i) estimated earnings per share: 1.0% and 11.8%, respectively; (ii) cash flow per share: 19.2% and 19.2%, respectively; and (iii) EBITDA (Viacom's EBITDA on a stand-alone basis as compared to the relative "ownership" of total pro forma EBITDA): 5.6% and 9.8%, respectively. The pro forma analysis assumed a certain level of long-term strategic benefits which were based upon the views of Viacom management.

. An analysis of the combined company's compliance with certain bank covenants and an analysis of relative ratios debt to EBITDA, debt and preferred stock to EBITDA, EBITDA to net interest and EBITDA to net interest and preferred dividends.

. An analysis of the share ownership of Viacom by Viacom's management, Paramount stockholders, and Blockbuster stockholders and NYNEX, both on stand-alone bases and pro forma giving effect to the Paramount Merger.

. An analysis of the estimated 1993 through 2003 Viacom implied pro forma stock prices, assuming consummation of the Blockbuster Merger and the Paramount Merger.

. A summary of refinancings of existing debt and new borrowings by Viacom, Paramount and Blockbuster, on stand-alone bases and pro forma giving effect to the Paramount Merger, both actual and estimated.

. An estimated 1993 and 1994 pro forma combined income statement comparison of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and pro forma giving effect to the Blockbuster Merger and the Paramount Merger, as well as a pro forma combined income statement of the combined company for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 earnings per share of Viacom both on stand-alone bases with and without giving effect to the conversion of the Viacom Preferred Stock, and with pro forma earnings per share giving effect to the Blockbuster Merger and the Paramount Merger, as well as an earnings per share dilution analysis for the combined company for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 cash flow of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and with pro forma cash flow giving effect to the Blockbuster Merger and the Paramount Merger, as well as a cash flow dilution/accretion analysis for the combined company for the years 1994 to 2003.

. A pro forma EBITDA analysis (including projected synergies), income tax calculation and pro forma combined cash flow statement and a debt amortization schedule, all estimated for the years 1993 to 2003.

. A pro forma interest expense table of the estimated combined company, estimated for the years 1994 to 2003, and a pro forma balance sheet for the combined company.

Viacom/Paramount

Smith Barney presented to the Viacom Board an analysis of the Paramount Merger, assuming liability per CVR of $12 per share and the exercise of the Viacom Warrants (although the occurrence of both the exercise of the Viacom Warrants and payment under the CVRs would take place only under limited circumstances, these assumptions were utilized to provide a conservative analysis to the Viacom Board). The Smith Barney presentation included:

. A transaction structure and an analysis of the Paramount Merger setting forth the kind and amount of securities to be issued in the Paramount Merger, the source and use of funds and the per share consideration to be paid to Paramount Stockholders in the Paramount Merger. Smith Barney also discussed the impact of the use of contingent value rights, convertible debt and convertible preferred stock as part of the consideration in the Paramount Merger.

. An analysis of the pro forma impact of the Paramount Merger to Viacom (with and without giving effect to the impact on Viacom of the sale of convertible preferred stock to NYNEX and Blockbuster if the Offer and Paramount Merger were not consummated), Paramount and Blockbuster on stand-alone bases, including with respect to 1994 revenue, cash flow and net income, estimated 1993 and 1994 leverage and estimated earnings per share, cash flow per share and EBITDA for 1993, 1994 and 1995. Smith Barney noted that the 1993 pro forma EBITDA for the Paramount Merger was $1,015 million (assuming no impact of potential synergies, which are considered to be substantial in subsequent years), the 1993 pro forma combined total debt was $7,634 million (does not include Series C Preferred Stock potentially issued to Paramount stockholders as part of the Paramount Merger Consideration or Viacom Preferred Stock issued to NYNEX and Blockbuster), and the 1993 pro forma combined total cash was $494 million (includes estimated deductions for merger transaction fees). The accretive/(dilutive) impact of the Paramount Merger (assuming no consummation of the Blockbuster

Merger and expiration of the CVRs with liability) for 1994 and 1995 when compared against Viacom on a stand-alone basis (assuming sale of convertible preferred to NYNEX and Blockbuster) was as follows: (i) estimated earnings per share: (41.4)% and (38.1)%, respectively; (ii) cash flow per share: 21.5% and 10.5%, respectively; and (iii) EBITDA (Viacom's EBITDA on a stand-alone basis as compared to the relative "ownership" of total pro forma EBITDA): (6.7)% and (10.2)%, respectively. The pro forma analysis assumed a certain level of long-term strategic benefits which were based upon the views of Viacom management.

. An analysis of the Viacom/Paramount entity's compliance with certain bank covenants an analysis of relative ratios of debt to EBITDA, debt and preferred stock to EBITDA, EBITDA to net interest and EBITDA to net interest and preferred dividends.

. An analysis of the share ownership of Viacom by Viacom's management, Paramount stockholders, and Blockbuster stockholders and NYNEX, both on stand-alone bases and pro forma giving effect to the Paramount Merger.

. An analysis of the estimated 1993 through 2003 Viacom implied pro forma stock prices, assuming the use of warrants in the Paramount Merger.

. A summary of refinancings of existing debt in new borrowings by Viacom and Paramount, on stand-alone bases and pro forma giving effect to the Paramount Merger both actual and estimated.

. An estimated 1993 and 1994 pro forma combined income statement comparison of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and pro forma giving effect to the Paramount Merger, as well as a pro forma combined income statement of the Viacom/Paramount entity for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 earnings per share of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and with pro forma earnings per share giving effect to the Paramount Merger, as well as an earnings per share dilution analysis for the Viacom/Paramount entity for the years 1994 to 2003.

. A comparison of estimated 1993 and 1994 cash flow of Viacom both on stand-alone bases with and without giving effect to the conversion of Viacom Preferred Stock, and with pro forma cash flow giving effect to the Paramount Merger, as well as a cash flow dilution/accretion analysis for the Viacom/Paramount entity for the years 1994 to 2003.

. A pro forma EBITDA analysis (including projected synergies), income tax calculation and pro forma combined cash flow statement and a debt amortization schedule, all estimated for the years 1993 to 2003.

. A pro forma interest expense table of the estimated Viacom/Paramount entity, estimated for the years 1993 to 2003, and a pro forma balance sheet for the Viacom/Paramount entity.

QVC/Paramount

Smith Barney presented to the Viacom Board an analysis of a QVC/Paramount Merger that included:

. A transaction structure and an analysis of a QVC/Paramount Merger setting forth the kind and amount of securities to be issued in a QVC/Paramount Merger, the source and use of funds and the per share consideration to be paid to Paramount stockholders in a QVC/Paramount Merger. Smith Barney also discussed the impact of the use of preferred stock with warrants as part of the consideration in the proposed QVC/Paramount Merger.

. An analysis of the debt structure of QVC and its additional borrowing capacity.

. A pro forma combined income statement of the combined QVC and Paramount for the years 1993 to 1999 and relative leverage ratios.

. An earnings per share and cash flow dilution/accretion analysis of QVC both on stand-alone bases and pro forma giving effect to a QVC/Paramount Merger for the years 1993 to 1999.

. An income tax calculation and pro forma combined cash flow statement estimated for the years 1993 to 1999.

. A debt paydown and interest expense table of the combined company, estimated for the years 1994 to 1999, and a pro forma balance sheet for the combined QVC and Paramount.

. An analysis of the economic and voting ownership of QVC assuming the consummation of the QVC/Paramount Merger and the conversion of the QVC convertible preferred stock.

. An analysis of the economic and voting ownership of Liberty Media.

. An analysis of the QVC implied estimated pro forma stock price from 1993 through 1998, both with and without attendant synergies.

Viacom used this analysis in developing its own, superior bid.

In arriving at its opinions, Smith Barney performed a variety of financial analyses, the material portions of which are summarized above. The summary set forth above does not purport to be a complete description of the analyses performed by Smith Barney. In addition, Smith Barney believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all such factors and analyses, could create a misleading view of the process underlying its analyses set forth in its opinion. The matters considered by Smith Barney in arriving at its opinion are based on numerous macroeconomic, operating and financial assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond Viacom's or Paramount's control. Any estimates incorporated in the analyses performed by Smith Barney are not necessarily indicative of actual past or future results or values, which may be significantly more or less favorable than such estimates. Estimated values do not purport to be appraisals and do not necessarily reflect the prices at which businesses or companies may be sold in the future, and such estimates are inherently subject to uncertainty. Arriving at a fairness opinion is a complex process, not necessarily susceptible to partial or summary description. No company utilized as a comparison is identical to Viacom, Paramount or the business segment for which a comparison is being made. Accordingly, an analysis of comparable companies and comparable business combinations resulting from the transactions is not mathematical; rather, it involves complex considerations and judgements concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the value of the comparable companies or company to which they are being compared.

The Viacom Board selected Smith Barney as its financial advisor because it is a nationally recognized investment banking firm and the members of senior management of Smith Barney have substantial experience in transactions similar to the Paramount Merger and are familiar with Viacom and its business. Smith Barney is an investment banking firm engaged, among other things, in the valuation of businesses and their securities in connection with mergers and acquisitions. Smith Barney has rendered from time to time various investment banking services to Viacom, including acting as an underwriter of public offerings of certain securities of Viacom and StarSight Telecast, Inc., a company in which Viacom holds a significant interest, for which it received customary compensation.

Pursuant to the terms of an engagement letter dated September 12, 1993, Viacom has paid Smith Barney a fee of $3.0 million for acting as financial advisor in connection with the Paramount Merger, including rendering its opinion. In addition, Viacom has agreed to pay Smith Barney an additional fee

of $9.5 million in connection with consummation of the transaction. Whether or not the Paramount Merger is consummated, Viacom has also agreed to reimburse Smith Barney for its reasonable out-of-pocket expenses, including all reasonable fees and disbursements of counsel, and to indemnify Smith Barney and certain related persons against certain liabilities relating to or arising out of its engagement, including certain liabilities under the Federal securities laws.

Bear, Stearns & Co. Inc. ("Bear Stearns") and Goldman, Sachs & Co. have also been engaged by Viacom as financial advisors in connection with the Offer and the Paramount Merger.

Paramount. Paramount has retained Lazard Freres to act as its financial advisor in connection with the Offer and the Paramount Merger. At the meeting of the Board of Directors of Paramount held on February 4, 1994, Lazard Freres delivered its written opinion to the Board of Directors of Paramount that, as of February 4, 1994, (i) the Viacom Transaction Consideration was fair to the holders of Paramount Common Stock from a financial point of view, (ii) the QVC Transaction Consideration was fair to the holders of Paramount Common Stock from a financial point of view, and (iii) the Viacom Transaction Consideration was marginally superior to the QVC Transaction Consideration from a financial point of view. PARAMOUNT STOCKHOLDERS ARE URGED TO READ THE TEXT OF THE LAZARD FRERES OPINION IN ITS ENTIRETY FOR ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITS OF REVIEW BY LAZARD FRERES. Lazard Freres has not been requested to update its opinion to the date of this Proxy Statement/Prospectus.

Copies of the February 4, 1994 opinion of Lazard Freres, the written presentation of Lazard Freres to the Board of Directors of Paramount on February 4, 1994 and the February 14, 1994 Letter (as defined below) have been filed as exhibits to the Schedule 13E-3 filed with the Commission with respect to the Paramount Merger and may be inspected and copied, and obtained by mail, from the Commission as set forth in "Available Information" and will be made available for inspection and copying at the principal executive offices of Paramount at 15 Columbus Circle, New York, New York 10023 during regular business hours by any interested public stockholder of Paramount or his or her representative who has been so designated in writing.

A COPY OF THE FULL TEXT OF THE LAZARD FRERES OPINION WHICH SETS FORTH THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS OF THE REVIEW UNDERTAKEN, IS ATTACHED AS ANNEX IV HERETO. THE SUMMARY DISCUSSION OF THE OPINION OF LAZARD FRERES SET FORTH IN THIS PROXY STATEMENT/PROSPECTUS IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION. LAZARD FRERES' OPINION IS DIRECTED ONLY TO LAZARD FRERES' CONCLUSIONS FROM A FINANCIAL POINT OF VIEW AS OF FEBRUARY 4, 1994 OF THE ITEMS REFERRED TO IN SUCH OPINION, AND, AS EXPRESSLY SET FORTH IN ITS OPINION, LAZARD FRERES' CONCLUSIONS ARE DIRECTED ONLY TO THE CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF PARAMOUNT COMMON STOCK IN THE OFFER AND THE PARAMOUNT MERGER, TAKEN TOGETHER, AND ARE NOT DIRECTED TO THE CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF PARAMOUNT COMMON STOCK EITHER IN THE OFFER OR IN THE PARAMOUNT MERGER INDEPENDENT OF THE OTHER. LAZARD FRERES OPINION DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO HOW SUCH STOCKHOLDER SHOULD VOTE AT THE PARAMOUNT SPECIAL MEETING.

In connection with rendering its opinion to the Board of Directors of Paramount on February 4, 1994 and its delivery of the February 14, 1994 Letter, Lazard Freres, among other things: (i) reviewed the terms and conditions of (a) the amended proposal by QVC (the "Amended QVC Proposal") to acquire Paramount as set forth in Amendment Number 34 to the Tender Offer Statement on Schedule 14D-1 filed by QVC, Comcast and BellSouth with the Commission on February 1, 1994 and the QVC Exemption Agreement, including the form Agreement and Plan of Merger between QVC and Paramount attached thereto (the "Form QVC Merger Agreement"), and (b) the written proposal submitted to Paramount by Viacom on February 1, 1994 and Amendment Number 35 to the Tender Offer Statement on Schedule 14D-1 filed by Viacom, NAI, Mr. Sumner M. Redstone and Blockbuster with the Commission on February 1, 1994 (collectively, the "Amended Viacom Proposal"), and the Agreement and Plan of Merger, dated as of January 21, 1994, as amended on January 27, 1994 and as proposed as of February 4, 1994 to be amended to reflect the Amended Viacom Proposal (the

"Amended Viacom Merger Agreement"), including the Form Exemption Agreement between Viacom and Paramount attached thereto; (ii) reviewed the terms and conditions of the Blockbuster Merger Agreement and the Blockbuster Subscription Agreement, analyzed the Amended Viacom Proposal, both with and without giving effect to the proposed Blockbuster Merger contemplated by the Blockbuster Merger Agreement, and observed that the proposed Blockbuster Merger is subject to the approval of the stockholders of Blockbuster; (iii) analyzed certain historical business and financial information relating to Paramount, Viacom, QVC and Blockbuster; (iv) reviewed certain financial forecasts and other data provided by Paramount, Viacom, QVC and Blockbuster relating to their respective businesses (except in the case of Paramount, financial forecasts for the then current fiscal year only, having been advised that Paramount did not prepare projections beyond the then current fiscal year); (v) reviewed public information with respect to certain public companies in lines of businesses that Lazard Freres believed to be comparable to the businesses of Paramount, Viacom, QVC and Blockbuster; (vi) reviewed the financial terms of certain recent business combinations involving companies in lines of business that Lazard Freres believed to be comparable to the businesses of Paramount, Viacom, QVC and Blockbuster, and in other industries generally; (vii) reviewed the historical stock prices and trading volumes of Paramount Common Stock, Viacom Class B Common Stock, the QVC Common Stock and Blockbuster Common Stock; and (viii) reviewed the procedures for bidding set forth in the Amended Viacom Merger Agreement and the QVC Exemption Agreement, in particular noting the respective provisions therein providing for extensions of the Fourth QVC Offer or the Offer, as applicable, for 10 business days upon delivery of a Completion Certificate (referred to in the Amended Viacom Merger Agreement or the QVC Exemption Agreement, as applicable) by Viacom or QVC, as applicable. In addition, Lazard Freres conducted discussions with members of the senior management of Paramount, Viacom, QVC and Blockbuster with respect to the business and prospects of Paramount, Viacom, QVC and Blockbuster and the strategic objectives of each, and Lazard Freres conducted such other financial studies, analyses and investigations as Lazard Freres deemed appropriate.

In preparing its written opinion to the Board of Directors of Paramount on February 4, 1994, its presentation to the Board of Directors of Paramount on February 4, 1994 and the February 14, 1994 Letter, Lazard Freres assumed and relied upon the accuracy and completeness of the financial and other information that was provided by Paramount, Viacom, QVC and Blockbuster, and on the representations and warranties contained in the Amended Viacom Merger Agreement and the Form QVC Merger Agreement. Lazard Freres did not independently verify such information and did not undertake an independent valuation or appraisal of any of the assets of Paramount, Viacom, QVC or Blockbuster. In addition, Lazard Freres assumed that the financial forecasts furnished to it by Paramount, Viacom, QVC and Blockbuster were reasonably prepared on a basis reflecting, as of the date of its opinion, its presentation to the Board of Directors of Paramount and the February 14, 1994 Letter, the best currently available judgments of the management of each of Paramount, Viacom, QVC and Blockbuster as to the future financial performance of Paramount, Viacom, QVC and Blockbuster, respectively. Lazard Freres also assumed that the Amended Viacom Proposal and the Amended QVC Proposal were made in compliance with the terms and conditions of the Amended Viacom Merger Agreement and the QVC Exemption Agreement, respectively. Lazard Freres' opinion as of February 4, 1994, its presentation to the Board of Directors of Paramount and the February 14, 1994 Letter were also based on economic, monetary and market conditions existing on the date of the opinion. In accordance with the Bidding Procedures established by Paramount's Board of Directors on December 13, 1993, Paramount's Board of Directors had authorized Lazard Freres to respond to inquiries with respect to Paramount from prospective bidders (in addition to QVC and Viacom) and to receive proposals from additional bidders, if any. Lazard Freres did not, however, solicit third party indications of interest in acquiring all or any part of Paramount.

As part of Lazard Freres' analyses in connection with rendering its opinion on February 4, 1994 and the February 14, 1994 Letter, Lazard Freres continued to evaluate the proposed Viacom and QVC transactions, as it had done in the past, not only on the basis of their then current market values but also applying other financial valuation methodologies generally applicable to transactions of this type.

Lazard Freres noted that these financial valuation methodologies, which are subject to certain limitations as applied to the prospective combinations, including the lack of projections for Paramount beyond the then current fiscal year and the difficulties in quantifying synergies and revenue enhancements resulting from the combinations, generally favored in varying degrees the Viacom Transaction Consideration from a financial point of view. On the basis of recent market values on the date of its opinion and the February 14, 1994 Letter, Lazard Freres observed that the QVC Transaction Consideration had a somewhat higher market valuation than the Viacom Transaction Consideration. In this connection, Lazard Freres observed the high volatility of Viacom Class B Common Stock and QVC Common Stock and that the market prices of the stocks seemed to be impacted by the perception of the marketplace as to whether QVC or Viacom would be the ultimate acquiror of Paramount.

In connection with rendering its opinion and the conclusion set forth in the February 14, 1994 Letter, Lazard Freres also observed the express preference of Paramount's Board of Directors in the Bidding Procedures for cash and securities readily susceptible to valuation, such as securities with a fixed income stream, with a liquidation preference, or in the case of equity securities, securities which enjoy the benefits of a wide collar or other value assurance mechanism. In this regard, Lazard Freres noted that there was a greater percentage of cash and fixed income securities as components of the Viacom Transaction Consideration than the QVC Transaction Consideration, although the magnitude of the difference in the respective percentages between the two then current bids had decreased in comparison to the then most recent previous bids submitted by Viacom and QVC. Lazard Freres further noted the offering of the CVRs in the Amended Viacom Proposal. In this connection, as noted below, Lazard Freres continued to view the offering of the CVRs in the Amended Viacom Proposal as a favorable factor because the CVRs were a security that provided, in part, an opportunity for the holders of the CVRs to be compensated if the market price of Viacom Class B Common Stock failed to appreciate satisfactorily.

In reaching its opinion on February 4, 1994 and the conclusion set forth in the February 14, 1994 Letter, Lazard Freres also noted that it took into account various factors, including its assessment of the probability of consummation of the proposed Blockbuster Merger contemplated by the Blockbuster Merger Agreement under the circumstances existing on February 4, 1994 and February 14, 1994, as applicable, and that, given the terms and conditions of the proposed Fourth QVC Offer and the Fourth QVC Second-Step Merger and the proposed Offer and the Paramount Merger and the limitations of the financial valuation methodologies referred to above, Lazard Freres had continued to view as a favorable factor an offer that contains a greater percentage of cash and securities readily susceptible to valuation.

In connection with the Amended Viacom Proposal and the Amended QVC Proposal, at the meeting of the Board of Directors of Paramount held on February 4, 1994, Lazard Freres delivered its written opinion to the Board of Directors of Paramount that, as of the date of the opinion, (i) the Viacom Transaction Consideration was fair to the holders of Paramount Common Stock from a financial point of view, (ii) the QVC Transaction Consideration was fair to the holders of Paramount Common Stock from a financial point of view, and (iii) the Viacom Transaction Consideration was marginally superior to the QVC Transaction Consideration from a financial point of view.

FEBRUARY 4, 1994 BOARD PRESENTATION

Prior to delivering its written opinion to the Board of Directors of Paramount, Lazard Freres reviewed certain information with the Board of Directors of Paramount relating to Paramount, Viacom, Blockbuster and QVC and the financial terms of the Amended Viacom Proposal, after giving effect to the proposed Blockbuster Merger (the "Viacom-Blockbuster Proposal"), the Amended Viacom Proposal, without giving effect to the proposed Blockbuster Merger (the "Viacom Alone Proposal") and the Amended QVC Proposal (the foregoing are sometimes individually referred to herein as a "Proposal" and collectively as the "Proposals").

. Lazard Freres described their recent contacts with QVC, Viacom and Blockbuster and their respective advisors and a chronology of events since the then most recent meeting of the Board of Directors of Paramount on January 21, 1994.

. Lazard Freres reviewed the financial terms of the Proposals and noted that Viacom's agreements with Blockbuster (including the Blockbuster Merger Agreement and the Blockbuster Subscription Agreement) had remained unchanged.

. Lazard Freres described the changes to the respective Proposals by QVC and Viacom from their then most recent previous bids. Lazard Freres noted that QVC had increased the cash portion of its bid by approximately $750 million, while reducing the value of securities offered in the proposed Fourth QVC Second-Step Merger by a substantially equivalent amount. With respect to the Amended Viacom Proposal, Lazard Freres observed that the cash portion of its offer had remained unchanged, but the value of the securities offered in the proposed Paramount Merger had been improved. Lazard Freres described in detail the changes to, and the terms of, the various securities offered by Viacom that produced this improvement.

. Lazard Freres reviewed graphic representations that compared the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal with QVC's and Viacom's then most recent previous bids and showed the value of the respective bids at various per share prices for QVC Common Stock and Viacom Class B Common Stock. The comparison of the two QVC bids showed that at stock prices for QVC Common Stock below approximately $48 per share, the then current QVC bid was slightly higher than the then most recent previous bid by QVC, while at stock prices higher than approximately $48 per share, the then most recent previous bid by QVC had a slightly higher value. However, with respect to the Amended Viacom Proposal, at all stock prices for Viacom Class B Common Stock, the then current Viacom Alone Proposal and the Viacom-Blockbuster Proposal had higher values than the then most recent previous Viacom bid, and with respect to the analysis of the Viacom-Blockbuster Proposal only, the difference was even greater, given the different securities being offered by Viacom depending upon whether the Blockbuster Merger would be consummated.

. Lazard Freres further noted that the three-way combination of Viacom-Blockbuster/Paramount would have the strongest credit ratios of the three possible combinations, while the credit ratios for the Viacom/Paramount combination would have the weakest, given Blockbuster's substantial cash flow and relatively low level of debt and the fact that Viacom would be acquiring Blockbuster for all stock.

. Lazard Freres noted that QVC's financing package for the Amended QVC Proposal had been altered to provide for more cash and was less favorable from QVC's standpoint compared to the financing package for the then most recent previous QVC bid, while the Viacom financing package for the Amended Viacom Proposal had remained essentially unchanged compared to the financing package for the then most recent previous Viacom bid.

. Lazard Freres also presented an overview of its valuation of the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal. Lazard Freres expressly noted that its views of value were provided within a framework of Bidding Procedures adopted by Paramount (and agreed to by the bidders) that allowed the holders of Paramount Common Stock to choose between the competing Proposals. Lazard Freres discussed with the Board of Directors of Paramount that, based on the closing market prices of QVC Common Stock and Viacom Class B Common Stock for February 3, 1994, and its valuation of the non-common securities that were offered in each of the bids (which was also based on those February 3, 1994 closing prices), the Amended QVC Proposal had a value (on a per share of Paramount Common Stock basis) that was higher than the Viacom-Blockbuster Proposal and

the Viacom Alone Proposal by $5.21 and $3.40 per share, respectively. Lazard Freres also noted that the total consideration offered in the Amended Viacom Proposal contained a greater percentage of cash and fixed income securities than the Amended QVC Proposal. As described in more detail below, Lazard Freres also analyzed the respective values of the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal at recent market prices for QVC Common Stock and Viacom Class B Common Stock (ranging from a one week average to a six month average prior to February 3, 1994).

. Lazard Freres noted that by using various financial valuation methodologies (other than current and recent market values) to analyze the respective Proposals (as described in more detail below), (i) both the Amended QVC Proposal and the Amended Viacom Proposal had implied values that were lower than the values obtained by using current market value methodology to value the Proposals, and (ii) the Viacom Alone Proposal and the Viacom-Blockbuster Proposal each had a higher implied value by varying amounts than the Amended QVC Proposal (with the differences being greater for the Viacom-Blockbuster Proposal). Lazard Freres specifically noted that it believed that these financial valuation methodologies were useful but subject to various limitations, including: the absence of precise and reliable quantification of potential cost savings or revenue enhancement opportunities; the difficulty of deriving appropriate multiples for each combination; the unavailability of internal long-term projections for Paramount; and the difficulty of projecting financial results of any of the combinations, in each case, particularly in light of each bidder's strategic/merger partners.

. Lazard Freres discussed with the Board of Directors of Paramount that the then current market prices of QVC Common Stock and Viacom Class B Common Stock may have reflected the market's perception of cost savings, revenue enhancement opportunities and the potential impact of the bidders' respective strategic/merger partners, but, reiterating what Lazard Freres had indicated previously to the Paramount Board, these current market prices may also have been influenced by the market's views as to which bidder would likely acquire Paramount, with Viacom having appeared to have been the leader on February 4, 1994, and, as Lazard Freres noted, this influence on these current market prices may have been even greater at that time given the fact that the Amended Viacom Proposal and the Amended QVC Proposal were presumably each bidder's "last and final bid."

. Lazard Freres also reviewed its comparisons of the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal using both 1993 estimated EBITDA and 1994 estimated EBITDA for each of the companies on the basis of comparable company trading multiples, discounted cash flow analysis and weighted average unaffected multiples. As noted above, each of these financial valuation methodologies produced in varying degrees, in the cases of both 1993 and 1994 estimated EBITDA, higher implied total bid values for the Viacom Alone Proposal and the Viacom-Blockbuster Proposal in comparison to the Amended QVC Proposal. This difference was greater in the case of the Viacom-Blockbuster Proposal.

. Lazard Freres noted that in connection with its comparable company trading analysis, if the various proposed combined companies were to trade at the same multiple of EBITDA, each of the Viacom Alone Proposal and the Viacom-Blockbuster Proposal would have implied bid values higher than the Amended QVC Proposal; however, if the QVC/Paramount combined company were to trade at a higher multiple than the Viacom/Paramount or Viacom-Blockbuster/Paramount combined companies, the implied value of the Amended QVC Proposal could equal or exceed the implied values of either the Viacom Alone Proposal or the Viacom-Blockbuster Proposal.

. As reviewed below, Lazard Freres discussed with the Board of Directors of Paramount that although there were arguments to support (and refute) a higher multiple for either of the proposed QVC or Viacom combinations, Lazard Freres had no reason to conclude from a financial point of view that

either of the proposed combinations should be assigned a higher multiple, and thus in most instances, Lazard Freres' analysis compared the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal at the same EBITDA multiples.

. Lazard Freres also reviewed its various observations regarding the trading activity of QVC Common Stock and Viacom Class B Common Stock noting that, since September 13, 1993 (the date of the first public announcement of the Original Merger), QVC Common Stock had fallen 27% and Viacom Class B Common Stock had fallen 43%. In addition, Lazard Freres explained that it was likely that the stock price of the apparent leader for Paramount would drop and that of the apparent trailing bidder would rise, as the ultimate resolution of the bidding approached, and this phenomenon may have explained the then recent trading activity of QVC Common Stock and Viacom Class B Common Stock, with the price of QVC Common Stock rising, and the price of Viacom Class B Common Stock falling, amid various reports that the market favored Viacom's bid. Lazard Freres also noted that this phenomenon could affect the outcome of the shareholder vote of the Blockbuster stockholders on the proposed Blockbuster Merger. However, Lazard Freres commented that, rather than comparing the implied bid values on the basis of a "winning" and "losing" bid, the more relevant comparison would be to compare the implied bid values of each bid assuming that bid were the winning bid, and most importantly, Lazard Freres explained that given the bidding process, the holders of Paramount Common Stock would have the ability to choose between the Amended QVC Proposal and the Amended Viacom Proposal based on their own views of value.

. Lazard Freres advised the Board of Directors of Paramount of the status of the proposed Blockbuster Merger, including noting that it had again confirmed with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Blockbuster's financial advisor, that Blockbuster had not received any expressions of interest from third parties and summarizing the anticipated timetable for the Blockbuster Merger provided to Lazard Freres by Viacom and Blockbuster.

. In addition, Lazard Freres reviewed a graphic representation of the stock price performance of QVC Common Stock, Viacom Class B Common Stock, Blockbuster Common Stock and Paramount Common Stock during the period from September 13, 1993 through February 3, 1994 and the stock performance of QVC Common Stock and Viacom Class B Common Stock during the period from December 20, 1993 through February 3, 1994.

PRO FORMA FINANCIAL AND CREDIT ANALYSIS

Lazard Freres reviewed its analysis of the pro forma financial statements for each of the proposed QVC/Paramount combination, proposed Viacom/Paramount combination and proposed Viacom-Blockbuster/Paramount combination using each company's estimated fiscal year 1993 data. Lazard Freres noted that pro forma 1993 EBITDA was estimated to be $756 million (12.2% margin) for the QVC/Paramount combination, $1,126 million (16.2% margin) for the Viacom/Paramount combination and $1,594 million (17.3% margin) for the Viacom-Blockbuster/Paramount combination, and due to large goodwill amortization, interest expense and preferred dividend charges, no combination would be expected to have a meaningful level of net earnings. As noted above, of the three possible combinations, Lazard Freres explained that the proposed Viacom-Blockbuster/Paramount combined company would produce the strongest credit ratios while the proposed Viacom/Paramount combined company would have the weakest. Lazard Freres explained that the Blockbuster Merger would significantly improve Viacom's credit ratios because Blockbuster has substantial cash flow and a relatively low level of debt, and Viacom would be acquiring Blockbuster in the Blockbuster Merger for all stock. Lazard Freres further commented that while there was no assurance that the Blockbuster Merger would be consummated, the parties involved had informed Lazard Freres that they expected the

proposed Blockbuster Merger to close in April 1994. In addition, Lazard Freres noted that Viacom had attempted to reduce the credit risk by adding the exchange feature to the Viacom Merger Debentures. Finally, Lazard Freres noted that with respect to the potential obligation of Viacom as a result of the CVRs: the maximum obligation for Viacom could be as much as approximately $1.0 billion if the CVRs were not extinguished until the third anniversary of the Paramount Merger; under the terms of the CVRs, Viacom could delay the payment of its potential obligation for up to three years; and while Viacom could satisfy its obligation under the CVRs by issuing shares of Viacom Class B Common Stock, such an issuance would dilute the then existing shareholders and, hence, could put downward pressure on Viacom's stock price.

Lazard Freres also reviewed the pro forma income statements and balance sheets for each of the three possible combinations and selected credit ratios for each of them.

VALUATION ANALYSIS OF AMENDED VIACOM PROPOSAL AND AMENDED QVC PROPOSAL

Lazard Freres reviewed various analyses with respect to the valuation of the Amended Viacom Proposal and the Amended QVC Proposal and expressly noted that Lazard Freres did not factor into its analysis any combination benefits such as cost savings or revenue enhancement and expressly cautioned that given the uncertainties involved in these valuation analyses, the volatility of the stock prices of QVC and Viacom, the dynamic market conditions and the possible changes in the complexion of any of the potential combinations, none of these valuation analyses should be viewed as a reliable predictor of stock prices.

Current Market Analysis

Lazard Freres first reviewed its current market analysis of the equity portion (and resulting implied total consideration) of each of the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal pursuant to which Lazard Freres calculated these values by applying the exchange ratio of each Proposal to the then current market prices of the securities being offered. Based on the closing price of QVC Common Stock and Viacom Class B Common Stock on February 3, 1994, Lazard Freres analysis showed that the implied value of the total consideration offered in (i) the Amended QVC Proposal was $86.71 per share of Paramount Common Stock, comprised of $52.10 of cash (60.1% of total), $3.76 of New QVC Merger Preferred Stock (4.3% of total), $2.55 of the ten-year warrants to purchase QVC Common Stock (2.9% of total) and $28.30 of QVC Common Stock (32.6% of total); (ii) the Viacom Alone Proposal was $81.49 per share of Paramount Common Stock, comprised of $53.61 of cash (65.8% of total), $6.01 of Series C Preferred Stock (7.4% of total), $1.41 of Viacom Three-Year Warrants (1.7% of total), $0.84 of Viacom Five-Year Warrants (1.0% of total), $3.84 of CVR (4.7% of total) and $15.79 of Viacom Class B Common Stock (19.4% of total); and (iii) the Viacom-Blockbuster Proposal was $83.31 per share of Paramount Common Stock, comprised of $53.61 of cash (64.3% of total), $8.41 of Viacom Merger Debentures (10.1% of total), $0.82 of Viacom Three-Year Warrants (1.0% of total), $0.82 of Viacom Five-Year Warrants (1.0% of total), $3.87 of CVR (4.6% of total) and $15.79 of Viacom Class B Common Stock (19.0% of total).

Lazard Freres also reviewed the implied value of the total consideration offered in the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal based on the closing market price of QVC Common Stock and Viacom Class B Common Stock of February 1, 1994 (which was reflective of the market immediately prior to the public announcement of the Proposals): $85.91 per share for the Amended QVC Proposal, $81.61 per share for the Viacom Alone Proposal and $83.35 per share for the Viacom-Blockbuster Proposal. The relative percentages of the components of each bid were essentially identical to the percentages for the February 3, 1994 market prices. Lazard Freres observed that, using the respective closing market prices of QVC Common Stock and Viacom Class B

Common Stock on February 3, 1994, if the price of the Viacom Class B Common Stock had remained unchanged, the price of QVC Common Stock would have to decline by 19% for the respective implied market values of the total consideration offered in the Amended QVC Proposal and the Viacom Alone Proposal to be equivalent and by 12% for the respective implied market values of the total consideration offered in the Amended QVC Proposal and the Viacom-Blockbuster Proposal to be equivalent, and, conversely, if the price of QVC Common Stock had remained unchanged, the price of Viacom Class B Common Stock would have to rise by 33% for the respective implied market values of the total consideration offered in the Amended QVC Proposal and the Viacom Alone Proposal to be equivalent and by 21% for the respective implied market values of the total consideration offered in the Amended QVC Proposal and the Viacom-Blockbuster Proposal to be equivalent.

Recent Market Value Analysis

Lazard Freres next reviewed with the Board of Directors of Paramount its recent market analysis of each Proposal by applying the exchange ratio of each Proposal to the average prices of QVC Common Stock and Viacom Class B Common Stock over various time periods from one week prior to February 4, 1994 up to six months prior to February 4, 1994. Lazard Freres noted that the implied value of the total consideration offered in the Amended QVC Proposal was higher than the value of the Viacom Alone Proposal during each period other than one, but lower than the Viacom-Blockbuster Proposal during each period other than with the one and two week averages and the six month average.

Comparable Public Company Trading Analysis

Lazard Freres also discussed with the Board of Directors of Paramount that it performed comparable public company trading multiple analysis of each of the Proposals in which Lazard Freres applied the multiples of comparable public companies to the estimated pro forma 1993 and 1994 EBITDA for each of the three possible combinations to arrive at an implied value of the total consideration offered in each Proposal. In connection with its analysis, Lazard Freres noted that each of the pro forma QVC/Paramount, Viacom/Paramount and Viacom-Blockbuster/Paramount combinations may be perceived in the market to be a "diversified entertainment and intellectual property company" rather than a "pure-play home shopping network company" (in the case of the pro forma QVC combination) or a "pure-play cable network/programming company" (in the case of either of the pro forma Viacom combinations). Lazard Freres further noted that while there were no public companies with precisely the same mix of businesses as the pro forma combined companies, perhaps the most relevant comparable companies were Time Warner Inc. ("Time Warner"), The Walt Disney Company ("Disney") and Turner Broadcasting Systems, Inc. ("Turner"), and when Lazard Freres applied the multiples for these companies to the estimated pro forma 1993 and 1994 EBITDA for each of three possible pro forma combinations, the implied bid values of the total consideration offered in the Amended QVC Proposal, the Viacom Alone Proposal and the Viacom-Blockbuster Proposal were below the then current market values of the Proposals (based on the closing prices of QVC Common Stock and Viacom Class B Common Stock on February 3, 1994). In addition, Lazard Freres commented to the Board of Directors of Paramount that the estimated 1993 and 1994 EBITDA multiples for Time Warner, Disney and Turner that were used in its analysis were based on estimates set forth in various research analyst reports.

Lazard Freres' analysis showed that applying Time Warner's multiples of 11.2 times 1993 estimated EBITDA and 10.4 times 1994 estimated EBITDA to the pro forma estimated 1993 and 1994 EBITDA for each of the three possible combinations, the implied common equity prices for the pro forma combined QVC/Paramount company were $18.11 per share and $19.23 per share, respectively, and the implied values of the total consideration offered in the Amended QVC Proposal were $69.58 per share and $70.27 per share, respectively; the implied common equity (i.e., Viacom Class B Common

Stock) prices for the pro forma combined Viacom/Paramount company were $14.05 per share and $16.28 per share, respectively, and the implied values of the total consideration offered in the Viacom Alone Proposal were $72.23 per share and $73.26 per share, respectively; and the implied common equity values for the pro forma combined Viacom-Blockbuster/Paramount company were $18.35 and $24.18 per share, respectively, and the implied values of the total consideration offered in the Viacom-Blockbuster Proposal were $76.04 per share and $78.75 per share, respectively. In addition, Lazard Freres reviewed its analysis that showed that by applying Disney's multiples of 13.3 times 1993 EBITDA and 12.2 times 1994 estimated EBITDA to the pro forma estimated 1993 and 1994 EBITDA for each of the three possible combinations, the implied common equity prices for the pro forma combined QVC/Paramount company were $27.04 per share and $27.67 per share, respectively, and the implied values of the total consideration offered in the Amended QVC Proposal were $75.09 per share and $75.48 per share, respectively; the implied common equity prices for the pro forma combined Viacom/Paramount company were $25.22 per share and $26.99 per share, respectively, and the implied values of the total consideration offered in the Viacom Alone Proposal were $77.41 per share and $78.24 per share, respectively; and the implied common equity prices for the pro forma combined Viacom-Blockbuster/Paramount company were $26.59 per share and $32.88 per share, respectively, and the implied values of the total consideration offered in the Viacom-Blockbuster Proposal were $79.87 per share and $82.79 per share. Finally, Lazard Freres discussed its analysis of Turner's multiples that revealed that by applying Turner's multiples of 14.8 times 1993 estimated EBITDA and 11.9 times 1994 estimated EBITDA to the pro forma estimated 1993 and 1994 EBITDA for each of the three possible combinations, the implied common equity prices for the pro forma combined QVC/Paramount company were $33.15 per share and $26.17 per share, respectively, and the implied values of the total consideration offered in the Amended QVC Proposal were $78.86 per share and $74.55 per share, respectively; the implied common equity price for the pro forma combined Viacom/Paramount company were $32.86 per share and $25.08 per share, respectively, and the implied values of the total consideration offered in the Viacom Alone Proposal were $80.96 per share and $77.35 per share, respectively, and the implied common equity prices for the pro forma combined Viacom-Blockbuster/Paramount company were $32.23 per share and $31.33 per share, respectively, and the implied values of the total consideration offered in the Viacom-Blockbuster Proposal were $82.49 per share and $82.07 per share, respectively.

In connection with its comparable public company trading multiple analysis, Lazard Freres reviewed with the Board of Directors of Paramount various historical and projected financial information regarding Time Warner, Disney and Turner.

Discounted Cash Flow ("DCF") Analysis

Lazard Freres discussed with the Board of Directors of Paramount its DCF analysis of each of the Proposals. In connection with preparing its DCF analysis, Lazard Freres was provided with projections, on a stand-alone basis, for each of QVC (covering six years), Viacom (covering three years) and Blockbuster (covering four years). Lazard Freres noted that it had conducted due diligence reviews of each of QVC, Viacom and Blockbuster and found that these projections appeared to be based on reasonable assumptions, and thus Lazard Freres did not alter the operating assumptions in performing its DCF analysis. Lazard Freres explained that by using these projections, it generated a hypothetical, debt-free "long-term investment value" of each of the companies and these values were based on assumed discount rates ranging between 9% and 12% and assumed terminal value multiples ranging between 10 times and 16 times EBITDA for the final projected year of each of QVC and Viacom and assumed terminal value multiples ranging between 8 times and 14 times EBITDA for the final projected year of Blockbuster. In preparing its DCF analysis, Lazard Freres used the third projected year for each company as the final projected year. Since Paramount did not prepare projections beyond the then

current fiscal year, Lazard Freres noted that it added the "unaffected" market capitalization of Paramount (i.e., the aggregate unaffected equity market value, plus the aggregate outstanding debt, less cash) to these discounted cash flow values for each of the three companies in order to derive an implied pro forma combined asset value for each of the three possible combinations. In order to derive an implied value for the total consideration offered in each of the Proposals, Lazard Freres explained that it used these implied pro forma combined asset values to determine the hypothetical pro forma combined equity values of each of the proposed combinations. Lazard Freres reviewed the results of its DCF analysis which showed that with a terminal value multiple of 12 times EBITDA (except in the case of Blockbuster, in which 10 times EBITDA was used) and a discount rate of 11%, the Amended QVC Proposal had an implied value of $73.68 per share, the Viacom Alone Proposal had an implied value of $76.66 per share and the Viacom-Blockbuster Proposal had an implied value of $81.84 per share and that with a terminal value multiple of 14 times EBITDA (except in the case of Blockbuster, in which 12 times EBITDA was used) and a discount rate of 10%, the Amended QVC Proposal had an implied value of $75.52 per share, the Viacom Alone Proposal had an implied value of $79.84 per share and the Viacom-Blockbuster Proposal had an implied value of $85.45 per share.

Weighted Average Multiple Analysis

Finally, Lazard Freres presented its weighted average multiple analysis of the Proposals. Lazard Freres explained that this analysis produced an implied valuation of the total consideration offered in each Proposal by first adding the "unaffected" EBITDA multiples of each bidder, including Blockbuster in the proposed three-way combination (i.e., the EBITDA multiple one month prior to the first public announcement of the proposed Paramount transactions for each company), to that of Paramount to arrive at a weighted average multiple for each pro forma combined company, and by then applying that multiple to the estimated pro forma 1993 EBITDA for each of the three proposed combined companies. With Paramount's multiple of 11.9 times estimated EBITDA, Lazard Freres noted that the combined weighted average multiple for the proposed QVC/Paramount combined company was 13.2 times estimated 1993 EBITDA, for the proposed Viacom/Paramount combined company was 14.6 times estimated 1993 EBITDA and for the proposed Viacom-Blockbuster/Paramount combined company was 14.5 times estimated 1993 EBITDA. Lazard Freres indicated that the QVC/Paramount combined multiple was lower because Paramount's EBITDA (which on an unaffected basis commanded a lower multiple) accounts for a greater proportion (about three-quarters) of the total than in the Viacom/Paramount combined company (about half) or in the Viacom-Blockbuster/Paramount combined company (about one-third). Lazard Freres explained to the Board of Directors of Paramount that the actual stock prices and trading multiples for any of the proposed combined companies may reflect the market's perception of such factors as cost savings opportunities, revenue growth opportunities, the impact of a change in management, difference in the leverage of each combination and the loss of "pure play" investment opportunity, and these possible factors were not taken into account in its analysis. Lazard Freres further noted that weighted average multiple analysis was a useful tool for further analysis because it generates pro forma stock values for each of the possible combined companies based upon pre-transaction trading multiples; however, Lazard Freres pointed out that neither the QVC Common Stock nor the Viacom Class B Common Stock had been trading at the price implied by the weighted average multiple analysis, and, in fact, both stocks were, and had been, above these theoretical levels since the proposed transactions were publicly announced. Lazard Freres presented to the Board of Directors of Paramount the results of its weighted average multiple analysis that showed that the implied value of the consideration offered for (i) the Amended QVC Proposal was $74.51 per share (with a weighted average EBITDA multiple of 13.2 times), (ii) the Viacom Alone Proposal was $79.36 per share (with a weighted average EBITDA multiple of 14.6 times), and (iii) the Viacom-Blockbuster proposal was $81.44 per share (with a weighted average EBITDA multiple of 14.5 times).

TRADING MULTIPLE ANALYSIS

Lazard Freres also discussed with the Board of Directors of Paramount that its analysis indicated that if each of the three proposed combined companies traded at the same multiple of EBITDA, the total implied value of the consideration offered in either the Viacom Alone Proposal or the Viacom-Blockbuster Proposal would be in excess of the total implied value of the consideration offered in the Amended QVC Proposal; however, if the proposed QVC/Paramount combined company were to trade at a higher multiple, the total implied value of the consideration offered in the Amended QVC Proposal would have equaled or exceeded the total implied value of the consideration offered in either the Viacom Alone Proposal or the Viacom-Blockbuster Proposal. Lazard Freres reviewed various arguments that would have supported a higher multiple for one Proposal over another Proposal, but concluded that its analysis did not provide a reasonable basis to conclude from a financial point of view whether any of the three proposed combined companies would in fact trade at a higher multiple than any of the others.

In the course of its presentation at the meeting of the Board of Directors of Paramount on February 4, 1994, Lazard Freres referred to summary materials prepared by Lazard Freres that covered various items that Lazard Freres had reviewed with the Paramount Board at earlier meetings at which prior bids by QVC and Viacom were discussed. These items included a detailed overview of the proposed Blockbuster Merger (including a description of the VCRs), the terms and conditions of Blockbuster's commitment to purchase $1.25 billion of Viacom Class B Common Stock pursuant to the Blockbuster Subscription Agreement, and the "make-whole" rights offered by Viacom to Blockbuster under the Blockbuster Subscription Agreement. In addition, Lazard Freres reviewed the pro forma ownership profile of the surviving companies for each of three proposed combined companies under the Proposals.

These summary materials prepared by Lazard Freres also presented an overview of Blockbuster's business (including a summary of Blockbuster's operations by business segment), a financial summary, a comparative analysis of Blockbuster's multiples to comparable companies, a discussion of the risk of obsolescence of Blockbuster's core video rental business and a stock ownership profile of Blockbuster.

Lazard Freres had also summarized terms and conditions of the sources of bank and strategic investor equity financing for each of the Amended QVC Proposal and the Amended Viacom Proposal. Moreover, these materials included a graphic representation of the stock price performance of QVC Common Stock, Viacom Class B Common Stock, Paramount Common Stock and Blockbuster Common Stock, as well as the S&P 400 Index over approximately 18-month and five-year time periods and an analysis using 1993 estimated EBITDA for each of Paramount, QVC, Blockbuster and Viacom that set forth the contribution that each company would provide to total pro forma 1993 estimated EBITDA for each of the three combined companies. This analysis showed that Paramount's business would contribute approximately 75% of the EBITDA in a merger with QVC, whereas the contribution by Viacom in the pro forma Viacom/Paramount combined company would be approximately 50% and the contributions by each of Viacom and Blockbuster would be approximately one-third in the pro forma Viacom-Blockbuster/Paramount combined company. Lazard Freres also summarized each bidder's views regarding the potential benefits that could be achieved by combining Paramount with each of them and the views of Paramount's management regarding these possible combination benefits. Finally, Lazard Freres described the results of various sensitivity analyses that it performed on the implied value of the total consideration offered in each of the Proposals that revealed that the implied values of each of the Proposals were sensitive to changes in assumed EBITDA or the assumed multiple at which the assumed EBITDA is capitalized.

At the request of Mr. Donald Oresman of Paramount on February 14, 1994, Lazard Freres delivered a letter, dated February 14, 1994 (the "February 14, 1994 Letter"), to Mr. Oresman advising

him that, as of February 14, 1994, Lazard Freres reaffirmed its written opinion addressed to the Paramount Board, dated February 4, 1994.

THE OPINION OF LAZARD FRERES DATED FEBRUARY 4, 1994 (AND ANNEXED HERETO) SHOULD BE READ IN ITS ENTIRETY. THE SUMMARY OF THE FINANCIAL AND COMPARATIVE ANALYSES SET FORTH ABOVE CONTAINS INFORMATION WITH RESPECT TO ALL MATERIAL ANALYSES EMPLOYED BY LAZARD FRERES IN REACHING ITS OPINION ON FEBRUARY 4, 1994 AND ITS CONCLUSION IN THE FEBRUARY 14, 1994 LETTER BUT DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE PRESENTATION OF LAZARD FRERES TO THE BOARD OF DIRECTORS OF PARAMOUNT ON FEBRUARY 4, 1994 OR THE ANALYSES CONDUCTED BY LAZARD FRERES. LAZARD FRERES BELIEVES THAT ITS ANALYSES MUST BE CONSIDERED AS A WHOLE AND THAT SELECTING PORTIONS OF ITS ANALYSES AND THE FACTORS CONSIDERED BY IT, WITHOUT CONSIDERING ALL FACTORS AND ANALYSES, COULD CREATE AN INCOMPLETE AND/OR MISLEADING VIEW OF THE PROCESS UNDERLYING ITS OPINION. THE PREPARATION OF AN OPINION IS A COMPLEX PROCESS AND IS NOT NECESSARILY SUSCEPTIBLE TO PARTIAL ANALYSIS OR SUMMARY DESCRIPTION. IN PERFORMING ITS ANALYSES, LAZARD FRERES MADE NUMEROUS ASSUMPTIONS WITH RESPECT TO INDUSTRY PERFORMANCE, GENERAL BUSINESS AND ECONOMIC CONDITIONS AND OTHER MATTERS, MANY OF WHICH ARE BEYOND THE CONTROL OF PARAMOUNT, VIACOM, QVC OR BLOCKBUSTER. ANY ESTIMATE CONTAINED IN THE ANALYSES PERFORMED BY LAZARD FRERES IS NOT NECESSARILY INDICATIVE OF ACTUAL VALUES OR ACTUAL FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN AS SET FORTH THEREIN. ANALYSES RELATING TO THE VALUE OF ANY BUSINESS DO NOT PURPORT TO BE APPRAISALS OR TO REFLECT THE PRICES AT WHICH ANY SUCH BUSINESS MAY ACTUALLY BE SOLD. BECAUSE SUCH ESTIMATES ARE INHERENTLY SUBJECT TO UNCERTAINTY, NONE OF PARAMOUNT, LAZARD FRERES OR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THEIR ACCURACY.

Lazard Freres is a nationally recognized investment banking firm and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, leveraged buyouts, and valuations for estate, corporate and other purposes. Lazard Freres was selected to act as financial advisor to the Board of Directors of Paramount because of its expertise and its reputation in investment banking and mergers and acquisitions.

Pursuant to an engagement letter, dated September 12, 1993, with Lazard Freres (the "Lazard Engagement Letter"), Paramount paid Lazard Freres for its financial advisory services in connection with the Offer and the Paramount Merger (i) a fee of $3.0 million upon execution of the Viacom Merger Agreement on September 12, 1993, and (ii) an additional fee of $9.5 million upon consummation of the Offer. In addition, the Lazard Engagement Letter provides that Paramount will reimburse Lazard Freres for its reasonable out-of-pocket expenses (including fees and expenses of its legal counsel) and will indemnify Lazard Freres and certain related parties against certain liabilities arising out of the Offer and the Paramount Merger and its engagement.

Lazard Freres has from time to time in the past provided, and is currently providing, in matters unrelated to Paramount, financial advisory or financing services to one or more of the respective equity investors in Viacom and QVC, or persons engaged in pending transactions with one or more of such investors and has received, or expects to receive, fees for the rendering of such services. From 1985 to March 1994, Lester Pollack, a General Partner of Lazard Freres served as a director of Paramount. As of June 2, 1994, Lazard Freres and its affiliates held 5,990 shares of Paramount Common Stock (including 965 shares of Paramount Common Stock held by Mr. Pollack), 1,450 shares of Viacom Class A Common Stock, 5,260 shares of Viacom Class B Common Stock and 520 shares of Blockbuster Common Stock in customer trading and other accounts. In the ordinary course of its business, Lazard Freres and its affiliates may also actively trade in securities of Paramount, Viacom or Blockbuster for its own account and for the account of its customers and, accordingly, may at any time hold a long or short position in such securities.

INTERESTS OF CERTAIN PERSONS IN THE PARAMOUNT MERGER

On May 25, 1993, Viacom established a Stock Option Plan (the "Plan") for Outside Directors (defined below). Pursuant to the Plan, members of the Viacom Board of Directors who are not officers or employees of Viacom or NAI or members of their immediate family ("Outside Directors") (as of May 25, 1993, George Abrams, Ken Miller and William Schwartz) received a one-time grant of stock options for 5,000 shares of Viacom Class B Common Stock with an exercise price of $45.25, the closing price of the Viacom Class B Common Stock on the AMEX on the date of grant. In addition, under the terms of the Plan, each new Outside Director, including Outside Directors of the combined company, receive a one-time grant of stock options for 5,000 shares of Viacom Class B Common Stock with an exercise price equal to the closing price of the Viacom Class B Common Stock on the AMEX on the date of such Outside Director's election or appointment to the Board. Each grant of stock options under this Plan will vest on the first anniversary of the date of grant. H. Wayne Huizenga (who holds such options for the benefit of Blockbuster), William C. Ferguson (who holds such options for the benefit of NYNEX) and Frederic V. Salerno (who holds such options for the benefit of NYNEX) each received a one-time grant of stock options for 5,000 shares of Viacom Class B Common Stock with an exercise price set at the closing price of the Viacom Class B Common Stock on the date of the grant as set out below. The Plan and all outstanding grants are subject to stockholder approval at the next annual stockholder meeting of Viacom or the combined company.

NAME	DATE OF GRANT	EXERCISE PRICE
H. Wayne Huizenga, for the benefit of Blockbuster	October 22, 1993	$ 53.25
William C. Ferguson, for the benefit of NYNEX	November 19, 1993	$ 42.50
Frederic V. Salerno, for the benefit of NYNEX	January 27, 1994	$ 36.75

PARAMOUNT VOTING AGREEMENT

The following is a summary of the material provisions of the Paramount Voting Agreement, which is attached as Annex II to this Proxy Statement/Prospectus and is incorporated herein by reference. The following summary does not purport to be complete and is qualified in its entirety by reference to the Paramount Voting Agreement.

Pursuant to the Paramount Voting Agreement, NAI agreed to vote the shares of Viacom Class A Common Stock held by it (a) in favor of the Paramount Merger, the Paramount Merger Agreement and the transactions contemplated by the Paramount Merger Agreement and (b) against any proposal for any recapitalization, merger, sale of assets or other business combination involving Viacom (other than the Paramount Merger) or any other action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of Viacom under the Paramount Merger Agreement or which could result in any of the conditions to Viacom's obligations under the Paramount Merger Agreement not being fulfilled.

As of the date of this Proxy Statement/Prospectus, NAI owns 45,547,214 shares of Viacom Class A Common Stock, representing approximately 85% of the outstanding voting shares of capital stock of Viacom.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary, based upon current law, is a general discussion of certain Federal income tax consequences of the Paramount Merger to Viacom, Paramount and Paramount stockholders assuming the Paramount Merger is consummated as contemplated herein. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury regulations thereunder and administrative rulings and judicial authority as of the date hereof, all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this summary. This summary applies to Paramount stockholders who hold their shares of Paramount Common Stock as capital assets. This summary does not discuss all aspects of income taxation that may be relevant to a particular Paramount stockholder in light of such stockholder's specific circumstances or to certain types of stockholders subject to special treatment under the Federal income tax laws (for example, foreign persons, dealers in securities, banks and other financial institutions, insurance companies, tax-exempt organizations and stockholders who acquired shares of Paramount Common Stock pursuant to the exercise of options or otherwise as compensation or through a tax-qualified retirement plan), and it does not discuss any aspect of state, local, foreign or other tax laws. Because of the unique nature of certain instruments to be received by Paramount stockholders in the Paramount Merger, the Internal Revenue Service may take the position that the Federal income tax consequences of holding such instruments are different from those described below. No ruling has been (or will be) sought from the Internal Revenue Service as to the anticipated tax consequences of the Paramount Merger. Simpson Thacher & Bartlett, a partnership which includes professional corporations, counsel to Paramount, has advised Paramount and Shearman & Sterling, counsel to Viacom, has advised Viacom that, in their opinions, the following discussion, insofar as it relates to matters of Federal income tax law, is a fair and accurate summary of such matters. PARAMOUNT STOCKHOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES TO THEM OF THE PARAMOUNT MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.

The Paramount Merger. Exchanges of Paramount Common Stock pursuant to the Paramount Merger will be taxable transactions for Federal income tax purposes. A Paramount stockholder who exchanges Paramount Common Stock for Viacom Class B Common Stock, Viacom Merger Debentures, CVRs, Viacom Three-Year Warrants and Viacom Five-Year Warrants in the Paramount Merger will recognize capital gain or loss for Federal income tax purposes equal to the difference between such stockholder's basis in the Paramount Common Stock so exchanged and the fair market value on the date of the Paramount Merger of the Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs, the Viacom Three-Year Warrants and the Viacom Five-Year Warrants received. Such gain or loss will be long-term gain or loss if, at the time of the Paramount Merger, the Paramount Common Stock exchanged had been held for more than one year. Under current law, long-term capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income (including short-term capital gains).

Such Paramount stockholder will have a tax basis in the Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs, the Viacom Three-Year Warrants and the Viacom Five-Year Warrants received equal to their respective fair market values on the date of the Paramount Merger. The holding period of such stockholder in the Viacom Merger Debentures will begin on the day following the date of the Paramount Merger. The holding period of such stockholder for long-term capital gains purposes in the Viacom Class B Common Stock, the CVRs, the Viacom Three-Year Warrants and the Viacom Five-Year Warrants received could depend, in part, on the characterization of the CVRs for Federal income tax purposes, as discussed below under "Ownership of CVRs--Straddle Rules."

Neither Paramount nor Viacom will recognize any gain or loss as a result of the Paramount Merger.

Backup Withholding. To prevent "backup withholding" of Federal income tax on payments of cash in lieu of a fractional share of Viacom Class B Common Stock, a fractional Viacom Merger Debenture, a fractional CVR, a fractional Viacom Three-Year Warrant, and a fractional Viacom Five-Year Warrant to a Paramount stockholder in the Paramount Merger, a Paramount stockholder must, unless an exception applies under the applicable law and regulations, provide the payor of such cash with such stockholder's correct taxpayer identification number ("TIN") on a Substitute Form W-9 and certify under penalties of perjury that such number is correct and that such stockholder is not subject to backup withholding. A Substitute Form W-9 will be provided to each Paramount stockholder in the letter of transmittal to be mailed to each stockholder after the Paramount Effective Time. If the correct TIN and certifications are not provided, a $50 penalty may be imposed on a Paramount stockholder by the Internal Revenue Service, and cash received by such stockholder in the Paramount Merger may be subject to backup withholding at a rate of 31%.

Tax Considerations Regarding the Ownership of Viacom Merger Debentures, Series C Preferred Stock, Viacom Exchange Debentures, the CVRs, the Viacom Three-Year Warrants and the Viacom Five-Year Warrants. The following is a discussion of certain Federal income tax considerations regarding the ownership of the Viacom Merger Debentures, the Series C Preferred Stock, the Viacom Exchange Debentures, the CVRs, the Viacom Three-Year Warrants and the Viacom Five-Year Warrants.

(a) Ownership of Viacom Merger Debentures. Although the proper characterization of the Viacom Merger Debentures for Federal income tax purposes is not free from doubt, Viacom intends to treat the Viacom Merger Debentures as debt instruments for such purposes, and the following discussion assumes that the Viacom Merger Debentures will be so treated. If the Viacom Merger Debentures were treated as equity for Federal income tax purposes, then the discussion of Federal income tax considerations under "Ownership of Series C Preferred Stock" generally would apply to the Viacom Merger Debentures.

A holder of a Viacom Merger Debenture will be required to report as income for Federal income tax purposes stated interest earned on the Viacom Merger Debenture in accordance with the holder's method of tax accounting. A holder of a Viacom Merger Debenture using the accrual method of accounting for tax purposes is required to include stated interest in ordinary income as such interest accrues, while a cash-basis holder must include stated interest in income when payments are received (or made available for receipt) by such holder.

If at the time the Viacom Merger Debentures are issued the issue price of the Viacom Merger Debentures (i.e., the fair market value of the Viacom Merger Debentures as of the issue date) is less than the "stated redemption price at maturity" of the Viacom Merger Debentures, the Viacom Merger Debentures will bear "original issue discount" equal to the amount of such difference, subject to a de minimis exception. If the Viacom Merger Debentures bear "original issue discount," such discount will be includible in the income of the holder on a "yield to maturity" basis pursuant to section 1272 of the Code. Thus, the holder will be required to report income in advance of the receipt of cash in respect of such "original issue discount."

If at the time the Viacom Merger Debentures are issued or subsequently acquired the holder's basis in the Viacom Merger Debentures exceeds the amount payable at maturity with respect to such Viacom Merger Debentures, such difference may be deducted as interest, on an economic accrual basis, over the term of the Viacom Merger Debentures by the holder of such Viacom Merger Debentures, at such holder's election, pursuant to section 171 of the Code. In addition, a holder of a Viacom Merger Debenture who pays an "acquisition premium" for a Viacom Merger Debenture bearing original issue discount will be entitled to a reduction in the amount of original issue discount includible in such holder's income. Furthermore, the Code provides generally that, in the case of a holder of a Viacom Merger Debenture who purchases such Viacom Merger Debenture at a "market discount" and thereafter recognizes a gain upon a disposition of such Viacom Merger Debenture, the lesser of such

gain or the portion of the market discount which accrued while the Viacom Merger Debenture was held by the holder will generally be treated as interest income at the time of disposition. In addition, a holder of a Viacom Merger Debenture acquired at a market discount may be required to defer the deduction of a portion of the interest paid or accrued on indebtedness incurred to purchase or carry the Viacom Merger Debenture until it is disposed of in a taxable transaction.

If the Viacom Merger Debentures are exchanged for Series C Preferred Stock, such exchange will not be a taxable transaction. Such holder will have an aggregate tax basis in the Series C Preferred Stock received in the exchange equal to the aggregate basis in the Viacom Merger Debentures exchanged therefor. The holding period of such holder in the Series C Preferred Stock received will include the holding period of such holder in the Viacom Merger Debentures exchanged therefor.

(b) Ownership of Series C Preferred Stock. Distributions paid on Series C Preferred Stock will, to the extent of Viacom's current and accumulated earnings and profits, be taxed as dividends. If the amount of a distribution on the Series C Preferred Stock exceeds the current and accumulated earnings and profits of Viacom, such excess first will be applied to reduce a holder's tax basis in such holder's Series C Preferred Stock to the extent thereof. The amount of such distribution in excess of such holder's tax basis will be treated as gain from the sale or exchange of the Series C Preferred Stock.

In addition, generally under section 305 of the Code and the Treasury regulations promulgated thereunder, if the redemption price of a preferred stock exceeds its issue price (i.e., its fair market value on the date of issuance) and such excess constitutes an unreasonable redemption premium, then such excess would be considered a constructive distribution taxable as a dividend (to the extent of current and accumulated earnings and profits) included in income over the period during which such preferred stock cannot be redeemed. Accordingly, if the Series C Preferred Stock were deemed to be issued with an unreasonable redemption premium, a holder of Series C Preferred Stock would realize taxable income without the receipt of cash over the period during which the Series C Preferred Stock cannot be called for redemption.

A corporate holder of Series C Preferred Stock generally will be entitled to the 70% corporate dividends-received deduction with respect to taxable dividends paid on such stock, provided that such corporate holder has met the requirements imposed by section 246 of the Code regarding the holding period for the Series C Preferred Stock (see the discussion regarding the possible impact of the ownership of CVRs on this requirement under "Ownership of CVRs--Corporate Dividends-Received Deduction"), is not affected by the limit on aggregate deductions under that section and is not subject to the limitation imposed by section 246A of the Code with respect to debt-financed portfolio stock, all of which conditions depend upon the particular holder's own circumstances. If a corporate holder of Series C Preferred Stock is required to include in income constructive dividends under section 305 of the Code (as described above), it is possible that such dividends, together with any cash dividends, would qualify as "extraordinary dividends" within the meaning of section 1059 of the Code. Moreover, it should be noted that, under section 1059 of the Code, a corporate holder of Series C Preferred Stock may be required to reduce its basis in such stock if it receives an "extraordinary dividend" with respect to such stock.

Under the terms of the Series C Preferred Stock, Viacom may, at its option beginning on the third anniversary of the Paramount Effective Time, issue Viacom Exchange Debentures in exchange for all or part of the Series C Preferred Stock. Also, unless previously exchanged, Viacom may redeem all or part of the Series C Preferred Stock at any time after the fifth anniversary of the Paramount Effective Time. Such an exchange for Viacom Exchange Debentures or redemption of the Series C Preferred Stock will constitute a taxable transaction.

Whether any such exchange or redemption of Series C Preferred Stock will be taxable to holders as a capital gain or loss or be treated as a dividend distribution to the extent of current and accumulated earnings and profits will be determined by applying the tests of section 302 of the Code to a holder's particular circumstances. Capital gain or loss treatment will apply if the exchange or redemption

completely terminates the holder's actual and constructive stock interest in Viacom or if the exchange or redemption is not essentially equivalent to a dividend with respect to such holder. A holder whose relative actual and constructive stock interest is minimal and who exercises no control over corporate affairs generally will be entitled to capital gain or loss treatment if an exchange or redemption results in a reduction in such holder's actual and constructive stock interest. Corporate holders of Series C Preferred Stock should note that, if the exchange or redemption is not pro rata as to all holders and is taxable as a dividend, such dividend will be an "extraordinary dividend" for purposes of section 1059 of the Code (see the second immediately preceding paragraph).

(c) Ownership of Viacom Exchange Debentures. A holder of a Viacom Exchange Debenture will be required to report as income for Federal income tax purposes stated interest earned on the Viacom Exchange Debenture in accordance with the holder's method of tax accounting. A holder of a Viacom Exchange Debenture using the accrual method of accounting for tax purposes is required to include stated interest in ordinary income as such interest accrues, while a cash-basis holder must include stated interest in income when payments are received (or made available for receipt) by such holder.

If at the time the Series C Preferred Stock is exchanged for Viacom Exchange Debentures the issue price of the Viacom Exchange Debentures (i.e., the fair market value of the Viacom Exchange Debentures if they are publicly traded upon their issuance, or otherwise of the Series C Preferred Stock, as of the issue date) is less than the "stated redemption price at maturity" of the Viacom Exchange Debentures, the Viacom Exchange Debentures will bear "original issue discount" equal to the amount of such difference, subject to a de minimis exception. If the Viacom Exchange Debentures bear "original issue discount," such discount will be includible in the income of the holder on a "yield to maturity" basis pursuant to section 1272 of the Code. Thus, the holder will be required to report income in advance of the receipt of cash in respect of such "original issue discount."

If at the time the Viacom Exchange Debentures are issued or subsequently acquired the holder's basis in the Viacom Exchange Debentures exceeds the amount payable at maturity with respect to such Viacom Exchange Debentures, such difference may be deducted as interest, on an economic accrual basis, over the term of the Viacom Exchange Debentures by the holder of such Viacom Exchange Debentures, at such holder's election, pursuant to section 171 of the Code. In addition, a holder of a Viacom Exchange Debenture who pays an "acquisition premium" for a Viacom Exchange Debenture bearing original issue discount will be entitled to a reduction in the amount of original issue discount includible in such holder's income. Furthermore, the Code provides generally that, in the case of a holder of a Viacom Exchange Debenture who purchases such Viacom Exchange Debenture at a "market discount" and thereafter recognizes a gain upon a disposition of such Viacom Debenture, the lesser of such gain or the portion of the market discount which accrued while the Viacom Exchange Debenture was held by the holder will generally be treated as interest income at the time of disposition. In addition, a holder of a Viacom Exchange Debenture acquired at a market discount may be required to defer the deduction of a portion of the interest paid or accrued on indebtedness incurred to purchase or carry the Viacom Exchange Debenture until it is disposed of in a taxable transaction.

(d) Ownership of the CVRs. The Federal income tax consequences resulting from the maturity, lapse, or disposition of the CVRs received by a Paramount stockholder in the Paramount Merger (an "Initial CVR Holder") will depend upon how the CVRs are characterized for Federal income tax purposes. Although no court has addressed the proper characterization of the CVRs for Federal income tax purposes, the Internal Revenue Service has taken the position that rights which were in many respects similar to the CVRs should be treated as cash settlement put options for Federal income tax purposes. It also is possible that the CVRs might be treated as debt instruments for Federal income tax purposes. The following discussion examines the Federal income tax consequences if the CVRs were treated as cash settlement put options or as debt instruments. It should be noted, however, that the CVRs might be treated in some other manner, and that subsequent legislation, regulations, court decisions and revenue rulings could affect the Federal income tax treatment of the CVRs.

Treatment of the CVRs as Cash Settlement Put Options. If the CVRs were treated as cash settlement put options, an Initial CVR Holder would realize capital gain or loss upon the lapse, payment at maturity or sale or exchange of such holder's CVRs in an amount equal to the difference between the amount realized, if any, and such holder's tax basis for CVRs. Upon payment at maturity, the amount realized would be the cash or the fair market value of the Viacom securities received in satisfaction of the CVRs. However, some or all of any loss so realized might be deferred, or an Initial CVR Holder's holding period might be adjusted, under the straddle rules described below.

Straddle Rules. Section 1092 of the Code provides special rules concerning the recognition of losses and the determination of holding periods with respect to positions that are part of a "straddle." The term "straddle" means offsetting positions with respect to personal property. The term "position" means an interest (including an option) in personal property. For this purpose, "personal property" includes stock only if such stock is part of a straddle where one of the offsetting positions is either an option with respect to such stock or substantially identical stock or securities or, under regulations which have been proposed but have not yet been finalized, a position with respect to substantially similar or related property (other than stock) (for example, a debt instrument). Positions are treated as "offsetting" where the risk of loss from holding one position is substantially diminished by reason of holding another position.

It is possible that the holding of CVRs and the Viacom Class A Common Stock, the Viacom Class B Common Stock or another security of Viacom (e.g., the Viacom Three-Year Warrants, the Viacom Five-Year Warrants or another class of Viacom security) by an Initial CVR Holder (regardless of whether the holder acquired any such shares of Viacom Common Stock or other security of Viacom in the Paramount Merger or otherwise) would be a straddle if the CVRs were treated as cash settlement put options. It should be noted that the Code directs the Secretary of the Treasury to issue regulations prescribing the method for determining the portion of a position that is subject to the straddle rules when the size of the position exceeds the size of the offsetting position. No such regulations have been issued to date.

If holding the CVRs and Viacom Common Stock or another security of Viacom were treated as a straddle, then any loss realized in a taxable year by an Initial CVR Holder upon a sale or other disposition (including retirement) of either the CVRs or Viacom Common Stock or another security of Viacom would be recognized only to the extent it exceeds the unrecognized gain (as of the end of such year) with respect to the retained position. The unrecognized portion of such loss would be deferred and would be treated as a loss incurred in a later taxable year, the recognition of which would continue to be subject to the straddle rules.

In addition, if the CVRs and Viacom Common Stock or another security of Viacom were treated as a straddle, special rules would apply to determine whether capital gain or loss upon the disposition of such stock or security and the CVRs would be treated as long term or short term. If an Initial CVR Holder would not have a long-term holding period (i.e., a holding period of more than one year) for Viacom Common Stock or another security of Viacom when such holder receives a CVR that is part of a straddle including such stock or security, then such holder's holding period for any such stock or security before the acquisition of the CVR would be disregarded, and instead his holding period for any such stock or security and the CVR would begin only upon the disposition, if any, of the other. As a result of this rule, any capital gain or loss recognized upon the disposition of any such share or the disposition of the CVR, whichever occurred first, would be short term, and any capital gain or loss recognized upon the disposition of the second position would be long term or short term, depending on whether a long-term holding period would have been acquired commencing with the disposition of the first position.

If an Initial CVR Holder were treated as having held Viacom Common Stock or another security of Viacom for more than one year when such holder receives a CVR that is part of a straddle including such stock or security, then such holder would retain the long-term holding period for such stock or

security. Thus, any capital gain or loss recognized by the Initial CVR Holder on the disposition of such stock or security would be long term. The Initial CVR Holder's holding period for the CVR for purposes of determining the term of any capital gain will begin only when (if ever) such holder disposes of such stock or security. However, any capital loss recognized by the Initial CVR Holder upon maturity, or upon an earlier termination or disposition of the CVR, would be treated as long term, regardless of the holder's holding period for the CVR.

Section 263(g) of the Code disallows a deduction for interest and carrying charges allocable to a position that is a part of a straddle and requires such amounts to be added to the tax basis of such position.

Treatment of the CVRs as Debt Instruments. The following discussion of the treatment of the CVRs as debt instruments is based principally on sections 1271 through 1275 of the Code and certain proposed Treasury regulations regarding contingent-payment obligations (the "Proposed Regulations") under the original issue discount provisions of the Code. The application of these Code provisions and the Proposed Regulations to the CVRs cannot be predicted with certainty without further guidance from the Internal Revenue Service, because they do not specifically contemplate a debt instrument as to which all of the payments are contingent, such as the CVRs would be if they were treated as debt. Further, there can be no assurance that the ultimate Federal income tax treatment under final Treasury regulations would not differ materially from the discussion below. For example, the Internal Revenue Service issued revised proposed Treasury regulations in January 1993, which were withdrawn shortly thereafter, that would have provided for different Federal income tax treatment of the CVRs as debt instruments from that discussed below.

If the CVRs are treated as debt obligations, no interest income (including in the form of original issue discount) should accrue to an Initial CVR Holder prior to maturity. At maturity, the amount of cash or the portion of the fair market value of the Viacom security, if any, received by an Initial CVR Holder pursuant to a CVR equal to the "issue price" of the CVR (i.e., the holder's tax basis in the CVR) should be treated as a payment of principal, and any excess amount of cash or fair market value should be treated as ordinary interest income. If the amount of cash or the fair market value of the Viacom security received by an Initial CVR Holder pursuant to a CVR was less than the issue price, or if no cash or Viacom security was received at maturity, the Initial CVR Holder should recognize a capital loss equal to the amount by which the holder's tax basis in the CVR exceeded the amount of cash or the fair market value of the Viacom security, if any, received by the holder.

If an Initial CVR Holder sold or otherwise disposed of a CVR prior to maturity, the holder should recognize ordinary income to the extent that the amount realized on such sale or disposition exceeded the holder's tax basis in the CVR. If the amount realized was less than the tax basis, the holder should recognize a short-term capital loss equal to the difference.

Corporate Dividends-Received Deduction. If the CVRs were treated as cash settlement put options, it appears that a corporate Initial CVR Holder's holding period for Viacom Class B Common Stock for purposes of the dividends-received deduction under section 243 to 246 of the Code would not include any days on which it holds a CVR. This treatment might render such Initial CVR Holder ineligible for the dividends-received deduction in respect of dividend income on Viacom Class B Common Stock. If the CVRs were treated as debt instruments, proposed Treasury regulations also would treat the CVRs as having the same effect on the dividends-received deduction with respect to Viacom Class B Common Stock. In addition, the CVRs also might have the same effect on the dividends-received deduction with respect to Viacom Class A Common Stock or another class of Viacom stock held by an Initial CVR Holder if any such stock and Viacom Class B Common Stock are "substantially identical stock" for this purpose or, if they are not, if the holding of CVRs and Viacom Class A Common Stock or another class of Viacom stock would be treated as diminishing such holder's risk of loss under proposed Treasury regulations.

Treatment of Capital Losses. For Federal income tax purposes, capital losses of individuals may be offset against capital gains and, to the extent such losses exceed capital gains, against up to $3,000 of ordinary income ($1,500 for a married individual filing a separate return). Capital losses of corporations may only be offset against capital gains. Capital losses not used in the year recognized may, within certain limitations, be carried over to other taxable years.

An Initial CVR Holder should note that, if the CVRs were treated as cash settlement put options, any gain on the CVRs would be treated as capital gain which could be offset by any corresponding capital loss on the Initial CVR Holder's Viacom Class A Common Stock, Viacom Class B Common Stock or another Viacom security if such stock or security was sold and such loss was realized. However, the ordinary income that the CVRs may generate if they were treated as debt instruments could not be offset for Federal income tax purposes by any such capital loss (except to the extent discussed in the preceding paragraph with respect to individuals). An initial CVR Holder should be aware that, if the value of CVRs decrease, this issue will not arise since any loss on the CVRs will be treated as capital loss regardless of whether the CVRs are treated as cash settlement put options or debt obligations.

As the use of capital losses by an Initial CVR Holder will depend upon multiple factors, including such holder's particular circumstances, and upon the issue of whether the CVRs are treated as cash settlement put options or debt instruments for Federal income tax purposes, Initial CVR Holders should consult their tax advisors regarding the use of capital losses.

(e) Ownership of the Viacom Three-Year and Five-Year Warrants. If a holder exercises a Viacom Three-Year Warrant or Viacom Five-Year Warrant solely by the delivery of cash, the holder will not recognize gain or loss on the exercise, except with respect to cash, if any, received in lieu of a fractional share of Viacom Class B Common Stock. The tax basis of the Viacom Class B Common Stock acquired (including a fractional share deemed acquired) as a result of such exercise of a Viacom Three-Year Warrant or Viacom Five-Year Warrant will equal the sum of (i) the holder's tax basis in the Viacom Three-Year Warrant or Viacom Five-Year Warrant exercised and (ii) the exercise price. The holding period for such Viacom Class B Common Stock will commence upon the date of exercise.

It is not clear whether the delivery of Series C Preferred Stock or Viacom Exchange Debentures to pay the exercise price on the exercise of a Viacom Five-Year Warrant will be considered a taxable disposition of such Series C Preferred Stock or Viacom Exchange Debentures or will qualify generally as a tax-free exchange. If the delivery by a holder qualifies as a taxable disposition of Series C Preferred Stock or Viacom Exchange Debentures, the holder will recognize (1) gain or loss equal to the difference, if any, between (i) the exercise price, which will equal the liquidation preference of the Series C Preferred Stock or the principal amount of the Viacom Exchange Debentures so delivered and (ii) the holder's tax basis in them, plus (2) gain or loss with respect to cash, if any, received in lieu of a fractional share of Viacom Class B Common Stock. The tax basis of the Viacom Class B Common Stock acquired (including a fractional share deemed acquired) as a result of such exercise of a Viacom Five-Year Warrant will equal the sum of (i) the holder's tax basis in the Viacom Five-Year Warrant exercised and (ii) the exercise price. The holding period for such Viacom Class B Common Stock will commence upon the date of exercise.

If the delivery of Series C Preferred Stock or Viacom Exchange Debentures by a holder qualifies generally as a tax-free exchange, no gain or loss will be recognized by the holder, except (1) with respect to cash, if any, received in lieu of a fractional share of Viacom Class B Common Stock, and (2) as to a cash-basis holder, ordinary income equal to the lesser of (i) the amount of accrued interest not previously includible in income by the holder on Viacom Exchange Debentures so delivered or (ii) the excess of the fair market value of the Viacom Class B Common Stock acquired (including a fractional share deemed acquired) by the holder over the principal amount of such Viacom Exchange Debentures. Except as discussed in the following sentence, the tax basis for the Viacom Class B Common Stock acquired (including a fractional share deemed acquired) as a result of such exercise of a Viacom Five-Year Warrant should equal the sum of (i) the holder's tax basis for the Series C Preferred Stock or

Viacom Exchange Debentures so delivered (less the tax basis, if any, for such Viacom Exchange Debentures attributable to any original issue discount thereon previously includible in income by the holder) and (ii) the holder's tax basis for the Warrant, and the holding period for such Viacom Class B Common Stock will include the holding period of such Series C Preferred Stock or Viacom Exchange Debentures. The tax basis for the Viacom Class B Common Stock, if any, deemed acquired by the holder in exchange for any original issue discount or accrued interest previously or then includible in income by the holder on Viacom Exchange Debentures so delivered should equal the fair market value of such Viacom Class B Common Stock at the time of the exchange, and the holding period for such Viacom Class B Common Stock should commence on the day after the exchange.

A holder's receipt of cash lieu of a fractional share of Viacom Class B Common Stock upon an exercise of a Viacom Three-Year Warrant or Viacom Five-Year Warrant generally will result in the recognition of capital gain or loss equal to the difference, if any, between the cash received and the holder's tax basis in the Viacom Class B Common Stock acquired upon such exercise allocable to such fractional share.

In general, the sale or exchange of a Viacom Three-Year or Five-Year Warrant will result in a capital gain or loss, if any, equal to the difference between the amount realized from such sale or exchange and the holder's tax basis in the Viacom Three-Year or Five-Year Warrant. The expiration of a Viacom Three-Year or Five-Year Warrant will result in a capital loss to the holder thereof equal to the holder's tax basis therein.

Under the terms of each of the Viacom Three-Year and Five-Year Warrants, the number of shares of Viacom Class B Common Stock that may be acquired upon exercise of a Viacom Three-Year or Five-Year Warrant will be adjusted upon the happening of certain events. Section 305(c) of the Code and the Treasury regulations thereunder provide that, if such adjustments result in a constructive increase in a holder's proportionate interest in Viacom's earnings and profits or assets, such increase will be treated as a deemed distribution to the holder taxable under the dividend provisions of section 301 of the Code.

THE FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE ARE BASED UPON PRESENT LAW, ARE FOR GENERAL INFORMATION ONLY AND DO NOT PURPORT TO BE A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX EFFECTS WHICH MAY APPLY TO A PARAMOUNT STOCKHOLDER. THE TAX EFFECTS AS APPLICABLE TO A PARTICULAR PARAMOUNT STOCKHOLDER MAY BE DIFFERENT FROM THE TAX EFFECTS AS APPLICABLE TO OTHER PARAMOUNT STOCKHOLDERS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL AND OTHER TAX LAWS, AND THUS PARAMOUNT STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS.

REAL ESTATE TRANSFER TAXES

The New York State Real Property Transfer Gains Tax, the New York State Real Estate Transfer Tax, and the New York City Real Property Transfer Tax (collectively, the "Real Estate Transfer Taxes") apply to the transfer or acquisition, directly or indirectly, of controlling interests in an entity which owns interests in real property located in New York State or New York City, as the case may be. The Offer and the Paramount Merger will result in the transfer of controlling interests in entities which own New York State or New York City real property for purposes of the Real Estate Transfer Taxes. Although any Real Estate Transfer Taxes could be imposed directly on the Paramount stockholders, Viacom and Paramount will complete and file any necessary tax returns and will pay all Real Estate Transfer Taxes that are imposed as a result of the Offer and the Paramount Merger. Upon receipt of the consideration for either the Offer or the Paramount Merger, each Paramount stockholder will be deemed to have agreed to be bound by the Real Estate Transfer Tax returns filed by Viacom and Paramount.

CERTAIN EFFECTS OF THE PARAMOUNT MERGER; OPERATIONS AFTER THE PARAMOUNT MERGER

As a result of the Paramount Merger, there will be no public market for Paramount Common Stock. Upon consummation of the Paramount Merger, the Paramount Common Stock will cease to be quoted on the NYSE, the registration of the Paramount Common Stock under the Exchange Act will be terminated and such stock will no longer constitute "margin securities" under the rules of the Board of Governors of the Federal Reserve System. See "Exchange Act Registration and Trading of the Paramount Common Stock."

Viacom currently owns 61,657,432 shares of Paramount Common Stock acquired pursuant to the Offer, representing a majority of the shares of Paramount Common Stock outstanding. As a result of the Paramount Merger, the existing stockholders of Paramount will share in Paramount's, Viacom's, and, if the Blockbuster Merger is consummated, Blockbuster's earnings and assets with the existing stockholders of Viacom and, if the Blockbuster Merger is consummated, the existing stockholders of Blockbuster. Accordingly, to the extent Paramount's performance on a stand-alone basis would exceed the performance of Viacom (or Viacom and Blockbuster) on a consolidated basis, existing Paramount stockholders will be disadvantaged by having to share Paramount's earnings and assets with Viacom's (or Viacom's and Blockbuster's) existing stockholders. Conversely, Paramount's existing stockholders will be advantaged to the extent Viacom-Paramount (or the combined company) would outperform Paramount on a stand-alone basis. Following completion of the Paramount Merger, Viacom will own the entire equity interest in Paramount and will thereby own a 100% interest in Paramount's net assets and earnings. Accordingly, after the Paramount Merger, unaffiliated stockholders of Paramount will no longer have a direct equity interest in Paramount and instead will own approximately 28.4% of the outstanding shares of Viacom Common Stock and thereby have an approximately 28.4% interest in Viacom-Paramount's net assets and earnings. After the Mergers, unaffiliated stockholders of Paramount will own approximately 15.3% of the outstanding shares of Viacom Common Stock and thereby have an approximately 15.3% interest in the net assets and earnings of the combined company. See "The Paramount Merger--Ownership of Viacom Common Stock Immediately After the Paramount Merger and the Mergers." Accordingly, based on year-end 1993 pro forma financial results for Viacom-Paramount and year-end 1993 historical results for Paramount, as a result of the Paramount Merger the interest of Paramount's unaffiliated stockholders in earnings from operations and stockholders' equity will increase to $154 million from $151 million and will decline to $1.8 billion from $2.1 billion, respectively. In the case of pro forma financial results for the combined company, the interest of Paramount's unaffiliated stockholders in earnings from operations and stockholders' equity will decline to $135 million and $1.6 billion, respectively.

Viacom is considering various plans to restructure Paramount and its subsidiaries following the Paramount Merger in order to, among other things, simplify Paramount's corporate structure, improve operating efficiencies, save expenses and make cash flow from operating subsidiaries more available to Viacom. While engaged in this process, Viacom has identified substantial amounts of redundancies in corporate overhead and is currently in the process of implementing overhead reductions, including personnel reductions. Viacom expects to take additional steps in this regard prior to and following the Paramount Merger.

Viacom has also announced that it is in the process of seeking indications of interest for the possible sale of Paramount's Madison Square Garden operations and certain publishing assets, which Viacom has determined are not core strategic assets.

Except for the Mergers and except as otherwise described in this Proxy Statement/Prospectus, none of Sumner M. Redstone, NAI, Viacom or Paramount have any present plans or proposals which relate to or would result in (i) an extraordinary corporate transaction, such as a merger, reorganization or liquidation involving Paramount or any of its subsidiaries, (ii) a sale or transfer of a material amount of assets of Paramount or any of its subsidiaries, (iii) any material change in the present dividend rate or policy or indebtedness or capitalization of Paramount or (iv) any other material change in Paramount's

corporate structure or business. See "Financing of the Offer," "Certain Considerations" and "Financial Matters After the Mergers."

THE PARAMOUNT MERGER

GENERAL

The discussion in this Proxy Statement/Prospectus of the Paramount Merger and the description of the Paramount Merger's principal terms are subject to and qualified in their entirety by reference to the Paramount Merger Agreement, a copy of which is attached to this Proxy Statement/Prospectus as Annex I and which is incorporated herein by reference.

THE OFFER

Pursuant to the Offer, on March 11, 1994 Viacom completed its purchase of a majority of the shares of Paramount Common Stock at a price of $107 per share net to the seller in cash, or aggregate cash consideration of approximately $6.6 billion.

PARAMOUNT MERGER CONSIDERATION

At the Paramount Effective Time, each outstanding share of Paramount Common Stock issued and outstanding immediately prior to the Paramount Effective Time (other than shares of Paramount Common Stock held by Paramount, Viacom or any direct or indirect wholly owned subsidiary of Viacom or of Paramount and by holders who shall have demanded and perfected appraisal rights under the DGCL) will be converted into the right to receive (i) 0.93065 of a share of Viacom Class B Common Stock, (ii) $17.50 principal amount of the Viacom Merger Debentures, (iii) 0.93065 of a CVR, (iv) 0.5 of a Viacom Three-Year Warrant and (v) 0.3 of a Viacom Five-Year Warrant. On February 1, 1994, the last trading day before the announcement of the terms of the February 4 Merger Agreement, on February 14, 1994 (the date on which Lazard Freres reaffirmed its written opinion addressed to the Paramount Board dated February 4, 1994), and on June 3, 1994, the last trading day before the printing of this Proxy Statement/ Prospectus, the last sales price of a share of Viacom Class B Common Stock as reported on the AMEX was $34 1/8, $29 7/8 and $28 5/8, respectively. However, no assurances can be given with respect to the prices at which the Viacom Class B Common Stock will trade after the date hereof or after the Paramount Effective Time or the prices at which the Viacom Merger Debentures (or, if issued, the Series C Preferred Stock and the Viacom Exchange Debentures), the CVRs and the Viacom Warrants will trade after the Paramount Effective Time. There has been no public trading market for the Viacom Merger Debentures, CVRs or Viacom Warrants and there can be no assurances that an active market for such securities will develop or continue after the Paramount Merger.

The Viacom Merger Debentures will bear interest (unless exchanged for Series C Preferred Stock as described below) at a rate of 8% per annum from the Paramount Effective Time, payable semi-annually beginning January 1, 1995, will have a maturity of 12 years from the Paramount Effective Time, will be redeemable, at the option of Viacom, in whole or in part, at declining redemption premiums after the fifth anniversary of the Paramount Effective Time and will be subordinated in right of payment to all senior obligations of Viacom.

The Viacom Merger Debentures will be exchangeable, at the option of Viacom, in whole but not in part, on or after the earlier of (i) January 1, 1995, but only if the Blockbuster Merger has not been consummated by such date and (ii) the acquisition by a third party of beneficial ownership of a majority of the then outstanding voting securities of Blockbuster, into the Series C Preferred Stock at the rate of one share of Series C Preferred Stock for each $50 in principal amount of Viacom Merger Debentures exchanged. At the time of exchange of the Series C Preferred Stock for the Viacom Merger Debentures, all accrued and unpaid interest on the Viacom Merger Debentures will not be paid and instead the dividends payable pursuant to subclause (i) of the next sentence will be payable. The Series C Preferred Stock, if issued, (i) would accrue dividends from the later of the Paramount Effective Time and the

latest date through which interest has been paid on the Viacom Merger Debentures at a rate of 5% per annum until the tenth anniversary of the Paramount Effective Time and 10% per annum thereafter, (ii) would have a liquidation preference of $50 per share, (iii) would be redeemable at the option of Viacom in whole or in part at declining redemption premiums after the fifth anniversary of the Paramount Effective Time and (iv) would be exchangeable in whole or in part at the option of Viacom into the Viacom Exchange Debentures after the third anniversary of the Paramount Effective Time. The Viacom Exchange Debentures would be subordinated obligations of Viacom, would bear interest at the rate of 5% per annum until the tenth anniversary of the Paramount Effective Time and 10% per annum thereafter, would be redeemable at the option of Viacom, in whole or in part, at declining redemption premiums after the fifth anniversary of the Paramount Effective Time, and would mature on the twentieth anniversary of the Paramount Effective Time.

Each whole CVR will represent the right, on the first anniversary of the Paramount Effective Time, to receive, in cash or securities (at the option of Viacom), the amount by which the average trading value of Viacom Class B Common Stock is less than a minimum price of $48 per share. Viacom will have the right, in its sole discretion, to extend the payment and measurement dates of the CVR by one year, in which case the minimum price will increase to $51 per share, and a further one-year extension right which, if exercised by Viacom, would increase the minimum price to $55 per share. The average trading value will be based upon market prices during the 60 trading days ending on the last day of the relevant period and is subject to a floor of (i) $36 per share if Viacom does not exercise its extension rights, (ii) $37 per share if Viacom extends the payment and measurement dates of the CVR by one year or (iii) $38 per share if Viacom exercises its further one-year extension right. If Viacom elects to issue securities in payment for the CVRs, such securities could take the form of common stock or preferred stock, options or warrants therefor, other securities convertible into or exchangeable for common stock or preferred stock, notes, debentures, derivative securities or any other security of Viacom now existing or hereafter created or any combination of the foregoing. The value of the securities, if any, issued in exchange for the CVRs will be determined by an Independent Financial Expert (as defined below). There can be no assurance, however, that such securities would ultimately trade in the market at a price at or above such valuation. Such securities, if issued, would be registered under the Securities Act of 1933 prior to the issuance thereof and a prospectus in connection with such issuance would be delivered to holders of record of CVRs at that time.

If the Average Trading Value of a share of Viacom Class B Common Stock equals or exceeds $48 on the Maturity Date or $51 on the First Extended Maturity Date (if the Maturity Date is extended by Viacom to the First Extended Maturity Date) or $55 on the Second Extended Maturity Date (if the First Extended Maturity Date is extended by Viacom to the Second Extended Maturity Date), as the case may be, no amount will be payable with respect to the CVRs. Certain corporate reorganizations, in which consideration paid to holders of shares of Viacom Class B Common Stock exceeds minimum amounts may also result in no value being payable with respect to the CVRs.

Each whole Viacom Three-Year Warrant will entitle the holder thereof to purchase one share of Viacom Class B Common Stock at any time prior to the third anniversary of the Paramount Effective Time at a price of $60, payable in cash. Each whole Viacom Five-Year Warrant will entitle the holder thereof to purchase one share of Viacom Class B Common Stock at any time prior to the fifth anniversary of the Paramount Effective Time at a price of $70, payable in cash or by exchanging, if issued, either Series C Preferred Stock with an equivalent liquidation preference or an equivalent principal amount of Viacom Exchange Debentures. The terms of the Viacom Warrants will include customary anti-dilution (with respect to stock splits, stock dividends, reverse stock splits or other similar subdivisions or combinations of stock) and other provisions.

Due to a lack of an existing market for the CVRs and Viacom Warrants, it is impracticable to determine an actual value for the CVRs and Viacom Warrants at this time. While the CVRs and Viacom Warrants will be listed for trading on the AMEX, there are no assurances that a liquid public market reflecting the fundamental value of the CVRs and Viacom Warrants will develop.

For a more detailed description of the Paramount Merger Consideration, see "Description of Viacom Capital Stock" and "Description of Viacom Debentures." For a description of the provisions with respect to fractional shares see "Certain Provisions of the Paramount Merger Agreement-- Procedure for Exchange of Paramount Certificates." Any shares of Paramount Common Stock held by

Paramount, Viacom or any direct or indirect wholly owned subsidiary of Paramount or Viacom will be cancelled.

The financial terms of the Paramount Merger were determined through negotiations between Viacom and Paramount, each of which was advised with respect to such negotiations by its respective legal and financial advisors.

Any shares of Viacom Class B Common Stock, Viacom Merger Debentures, CVRs, Viacom Three-Year Warrants, or Viacom Five-Year Warrants issued in connection with the Paramount Merger, or shares of Series C Preferred Stock issued upon the exchange (if any) of Viacom Merger Debentures, Viacom Exchange Debentures issued upon the exchange (if any) of shares of Series C Preferred Stock, securities issued pursuant to the CVRs, or shares of Viacom Class B Common Stock issued upon exercise of the Viacom Three-Year Warrants or Viacom Five-Year Warrants, to residents of Canada may be subject to certain resale restrictions, including that they may be required to be resold outside of Canada or pursuant to an available exemption under applicable Canadian securities laws.

No fractional securities will be issued in connection with the Paramount Merger. In lieu of any such fractional shares each holder of Paramount Common Stock will be paid an amount in cash as described under "Certain Provisions of the Paramount Merger Agreement--Procedure for Exchange of Paramount Certificates."

PARAMOUNT EFFECTIVE TIME

The Paramount Merger will become effective upon the filing of a Certificate of Merger with the Secretary of State of the State of Delaware or such later time as is specified in such certificate a form of which is attached as Annex VI. Such filing will be made as promptly as practicable after satisfaction or waiver of the conditions to the Paramount Merger unless another date is agreed to by Paramount and Viacom. The Paramount Merger Agreement may be terminated by either party if, among other reasons, the Paramount Merger shall not have been consummated on or before July 31, 1994; provided, however, that the Paramount Merger Agreement may be extended by written notice of either Viacom or Paramount to a date not later than September 30, 1994, if the Paramount Merger shall not have been consummated as a direct result of Viacom or Paramount having failed by July 31, 1994, to receive all required regulatory approvals or consents with respect to the Paramount Merger. See "Certain Provisions of the Paramount Merger Agreement--Termination" and "Certain Provisions of the Paramount Merger Agreement--Conditions to Consummation of the Paramount Merger."

STOCK EXCHANGE LISTING

The shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs and the Viacom Warrants to be issued in the Paramount Merger as Paramount Merger Consideration have been approved for listing on the AMEX, subject to official notice of issuance and stockholder approval. The shares of Viacom Class B Common Stock are traded on the AMEX under the symbol "VIA.B" and the Viacom Debentures, CVRs, Viacom Three-Year Warrants and Viacom Five-Year Warrants will be traded under the symbols "VIA.D", "VIA.CV", "VIA.WS.C" and "VIA.WS.E", respectively.

Viacom has also agreed to use its reasonable best efforts to cause the Series C Preferred Stock and the Viacom Exchange Debentures to be approved for listing on the AMEX prior to the issuance thereof.

EXPENSES OF THE TRANSACTION

It is estimated that, if the Paramount Merger is consummated, expenses incurred in connection with the Offer and the Paramount Merger will be approximately as follows (in thousands):

Financial advisory fees and expenses	$ 28,600
Commission filing fees	2,200
Legal fees and expenses	17,100
Accounting fees	700
Printing costs	3,500
Proxy solicitation, distribution and Paying Agent fees	645
Blue Sky fees	30
Miscellaneous	9,225
Total	$ 62,000

All costs and expenses incurred in connection with the Paramount Merger Agreement and the transactions contemplated thereby will be paid by the party incurring such expenses, except that expenses incurred in connection with printing, filing and mailing this Proxy Statement/Prospectus and all Commission and other regulatory filing fees in connection therewith will be shared equally by Viacom and Paramount.

OWNERSHIP OF VIACOM COMMON STOCK IMMEDIATELY AFTER THE PARAMOUNT MERGER AND THE MERGERS

PERCENTAGE OWNERSHIP OF VIACOM COMMON STOCK*

	FOLLOWING CONSUMMATION OF THE PARAMOUNT MERGER**		FOLLOWING CONSUMMATION OF THE MERGERS	
	VIACOM CLASS A COMMON STOCK	VIACOM COMMON STOCK	VIACOM CLASS A COMMON STOCK	VIACOM COMMON STOCK
NAI	85.2%	46.0%	62.1%	24.8%
Pre-Merger(s) stockholders of Viacom (other than NAI)	14.8%	25.6%	10.8%	13.9%
Former stockholders of Blockbuster	--%	--%	27.1%	46.0%
Former stockholders of Paramount	--	28.4	--	15.3%

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* All percentages of ownership of common stock shown above in this section are calculated based on the number of shares of the relevant class or classes of stock outstanding as of March 31, 1994. Percentages of ownership do not give effect to potential dilution related to employee or director stock options or warrants, Viacom Preferred Stock, VCRs, CVRs and Viacom Warrants.

** All percentages of ownership of common stock shown in this column are calculated assuming the Blockbuster Merger has not yet been consummated.

EFFECT ON EMPLOYEE BENEFIT STOCK PLANS

Assumption of Paramount Stock Options. The May Amendment amended the February 4 Merger Agreement to modify the treatment of outstanding options to purchase shares of Paramount Common Stock granted under Paramount's employee stock option plans ("Paramount Stock Options"). In general, the principal effect of such amendment was to adjust the terms of the Paramount Stock Options outstanding at the Paramount Effective Time so that the holders of such options receive additional value, based upon the price per share paid in the Offer, with respect to one half of the Paramount Common Stock subject to such options. Pursuant to the Paramount Merger Agreement, at the Paramount Effective Time, Paramount's obligations with respect to Paramount Stock Options will be assumed by Viacom. The Paramount Stock Options will continue to have the same terms and conditions as in effect immediately prior to the Paramount Effective Time, except that such Paramount Stock Options will be exercisable for (i) that number of whole shares of Viacom Class B Common Stock equal to the product of the number of shares of Paramount Common Stock covered by such Paramount Stock Option immediately prior to the Effective Time (the "Paramount Option Shares") multiplied by 0.5 and multiplied further by 0.93065, rounded up to the nearest whole number of shares of Viacom Class B Common Stock, (ii) that number of whole CVRs equal to the product of the number of Paramount Option Shares multiplied by 0.5 and multiplied further by 0.93065, rounded up to the nearest whole number of CVRs, provided that, if the option holder has not exercised his or her Paramount Stock Option prior to the maturity of the CVRs, then the CVRs described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the amount by which the "Target Price" exceeds the greater of the "Current Market Value" and the "Minimum Price" all as defined in "Description of Viacom Capital Stocks--CVRs," on the applicable maturity date multiplied by the number of such CVRs, rounded up to the nearest whole number of shares, (iii) that number of whole Viacom Three-Year Warrants equal to the product of the number of Paramount Option Shares multiplied by 0.5 and multiplied further by 0.5 and rounded up to the nearest whole number of Viacom Three-Year Warrants, provided that, if the option holder has not exercised his or her Paramount Stock Option prior to the third anniversary of the Paramount Effective Time, then the Viacom Three-Year Warrants described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the fair market value of such Viacom Three-Year Warrants (as determined by reference to the average trading price for the five-day trading period immediately prior to the third anniversary of the Paramount Effective Time, if available, or, if not available, in the reasonable judgment of the Viacom Board), rounded up to the nearest whole number of shares, (iv) that number of whole Viacom Five-Year Warrants equal to the product of the number of Paramount Option Shares multiplied by 0.5 and multiplied further by 0.3 and rounded up to the nearest whole number of Viacom Five-Year Warrants, provided that, if the option holder has not exercised his or her Paramount Stock Option prior to the fifth anniversary of the Paramount Effective Time, then the Viacom Five-Year Warrants described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the fair market value of such Viacom Five-Year Warrants (as determined by reference to the average trading price for the five-day trading period immediately prior to the fifth anniversary of the Paramount Effective Time, if available, or if not available, in the reasonable judgment of the Viacom Board), rounded up to the nearest whole number of shares, (v) that (A) principal amount of whole Viacom Merger Debentures equal to the product of the number of shares of Paramount Common Stock covered by such Paramount Stock Option immediately prior to the Paramount Effective Time multiplied by 0.5 and multiplied further by $17.50 plus an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Merger Debenture, as determined by reference to a five-day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board by (y) the fractional interest in a Viacom Merger Debenture to which such option holder would otherwise be entitled or (B) if issued, that number of whole shares of Series C Preferred Stock equal to the product of the number of shares of Paramount Common Stock covered by such Paramount Stock Option immediately prior to the Paramount Effective Time multiplied by 0.5 and multiplied further by 0.35 and rounded up to the nearest whole number of

shares of Series C Preferred Stock or (C) if issued, that principal amount of whole Viacom Exchange Debentures equal to the product of the number of shares of Paramount Common Stock covered by such Paramount Stock Option immediately prior to the Paramount Effective Time multiplied by 0.5 and multiplied further by $17.50 plus an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Exchange Debenture, as determined by reference to a five-day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board by (y) the fractional interest in a Viacom Exchange Debenture to which such option holder would otherwise be entitled, and (vi) that number of whole shares of Viacom Class B Common Stock equal to the result of the number of Paramount Option Shares multiplied by 0.5 and multiplied further by $107, with such product being divided by the First Year Anniversary Average Trading Price (as defined below) and rounded up to the nearest whole number, provided that, if the option holder exercises his or her Paramount Stock Options prior to the first anniversary of the Paramount Effective Time, then the whole shares of Viacom Class B Common Stock shall be replaced by a right to receive such shares on the first anniversary of the Paramount Effective Time. In addition, pursuant to the Paramount Merger Agreement, Viacom agrees to provide each holder of a Paramount Stock Option not less than ten days' advance notice of any involuntary termination of employment (other than by reason of death or disability) in order to permit such holder to exercise his or her then exercisable Paramount Stock Options during such ten-day period. As used above, the "First Year Anniversary Average Trading Price" means the average closing price on the AMEX (or such other exchange on which such shares are then listed) for a share of Viacom Class B Common Stock during the 30 consecutive trading days immediately preceding the first anniversary of the Paramount Effective Time. The Paramount Merger Agreement requires Viacom to reserve for issuance the securities underlying such assumed Paramount Stock Options and to promptly issue to each holder of such Paramount Stock Options evidence of the assumption thereof.

Other Effects of the Paramount Merger. Where permitted under the terms of any Paramount benefit plan or employment agreement, the Paramount Merger Agreement requires that the Paramount Board approve the transactions contemplated by the Paramount Merger Agreement prior to the Paramount Effective Time so that the transactions contemplated by the Paramount Merger Agreement do not accelerate or trigger changes to benefits or the terms of any such plan or agreement. The Paramount Merger Agreement also provides that Paramount will not terminate its annual or long-term performance plans prior to the Paramount Effective Time, and will delay the establishment of future performance targets under its annual plan and the implementation of a new performance cycle under its long-term plan until Paramount and Viacom review the terms of such plans after the Paramount Effective Time. Pursuant to the Paramount Merger Agreement and where permitted under the terms of any Viacom benefit plan or employment agreement, Viacom also will insure that the transactions contemplated by the Paramount Merger Agreement will not accelerate or trigger changes to benefits or the terms of any such plan or agreement.

FINANCING OF THE OFFER

The total amount of funds required by Viacom to consummate the Offer and to pay related fees and expenses was approximately $6.7 billion. The Offer was financed by (i) $1.8 billion from the sale of Viacom Preferred Stock (see "Sale of Viacom Preferred Stock"), proceeds of which are reflected as cash and cash equivalents on Viacom's balance sheet as of December 31, 1993, (ii) $1.25 billion from the sale of Viacom Class B Common Stock to Blockbuster and (iii) $3.7 billion from the Credit Agreement dated as of November 19, 1993, as amended as of January 4, 1994 and as further amended as of February 15, 1994, among Viacom, the Banks named therein (the "Banks"), and The Bank of New York, Citibank, N.A. and Morgan Guaranty Trust Company of New York, as Managing Agents (as so amended, the "Credit Agreement"). After the Blockbuster Merger, the Series A Preferred Stock and the Viacom Class B Common Stock owned by Blockbuster will cease to be outstanding and bank facilities used by Viacom and Blockbuster will be repaid or refinanced as described below. The following is a summary of the principal terms of the bank agreements of Viacom and Blockbuster which have been filed with the Commission under the Exchange Act and are incorporated by reference herein. Such summary does not purport to be complete and is subject to and qualified in its entirety by reference to such bank agreements.

The Credit Agreement provides that, in order to pay for the Offer and related expenses, up to $3.7 billion may be borrowed, repaid and reborrowed until November 18, 1994, at which time all amounts outstanding will become due and payable.

The Credit Agreement provides that Viacom may elect to borrow at either the Base Rate or the Eurodollar Rate, subject to certain limitations. The "Base Rate" will be the higher of (i) Citibank, N.A.'s Base Rate and (ii) the Federal Funds Rate plus 0.50%. The "Eurodollar Rate" will be the London Interbank Offered Rate plus (i) 0.9375%, until Viacom's senior unsecured long-term debt is rated by Standard & Poor's Corporation ("S&P") or Moody's Investors Service, Inc. ("Moody's"), and (ii) thereafter, a variable rate ranging from 0.2500% to 0.9375% dependent on the senior unsecured long-term debt ratings assigned to Viacom. The Eurodollar Rate is available for one, two, three or six month borrowings. Interest on Base Rate borrowings will be payable quarterly in arrears. Interest on Eurodollar Rate borrowings will be payable in arrears (i) at the end of each applicable interest period and (ii) in the case of a period longer than three months, every three months.

The Credit Agreement provides that Viacom will pay each of the Banks a facility fee on such Bank's commitment in effect from time to time (whether or not utilized) from November 19, 1993 until November 18, 1994 payable quarterly in arrears, at the rate of (i) 0.3750% per annum, until Viacom's senior unsecured long-term debt is rated by S&P or Moody's and (ii) thereafter, a variable rate ranging from 0.1000% to 0.3750% dependent on the senior unsecured long-term debt ratings assigned to Viacom.

The Credit Agreement contains representations, warranties and covenants customary in facilities of this type. The Credit Agreement requires, among other things, that Viacom maintain certain financial ratios and comply with certain financial covenants.

Under the Credit Agreement, Viacom has agreed to indemnify each of the Banks and certain related persons against certain liabilities.

Blockbuster obtained a portion of the funds necessary to purchase the shares of Viacom Class B Common Stock under the Blockbuster Subscription Agreement pursuant to a credit agreement dated as of February 15, 1994 (the "New Blockbuster Facility"), with certain banks named therein, Bank of America, as Agent, and BA Securities Inc., as Arranger, for the aggregate amount of $1 billion. The New Blockbuster Facility has a 364-day term and bears interest at Blockbuster's option at the Reference Rate or at LIBOR plus a margin ranging from 0.50% up to 1.0% (based upon Blockbuster's public debt rating) for the first six months after the initial borrowing and plus 1.25% thereafter. Under the New Blockbuster Facility, the Reference Rate is generally defined as the higher of (i) the rate of

interest publicly announced from time to time by the Bank of America in San Francisco, California as its reference rate, or (ii) 0.5% per annum above the latest Federal Funds Rate in effect on such day. LIBOR is generally defined as the average London interbank offered rate for 1-, 2-, 3-or 6-month Eurodollar deposits.

Blockbuster obtained the remainder of such funds from its Amended and Restated Credit Agreement dated as of December 22, 1993 (the "Blockbuster Credit Agreement"), with certain banks named therein and Bank of America, for itself and as agent, pursuant to which such banks have agreed to advance Blockbuster on an unsecured basis an aggregate of $1 billion for a term of 40 months. Outstanding advances, if any, become due at the expiration of the 40-month term. The Blockbuster Credit Agreement and the New Blockbuster Facility require, among other things, that Blockbuster maintain certain financial ratios and comply with certain financial covenants. Borrowings under the Blockbuster Credit Agreement shall bear interest at either the Reference Rate, the Offshore Rate, the CD Rate or a rate submitted by any Bank presenting a Competitive Bid Offer to Blockbuster. The "Reference Rate" will be the higher of (i) the rate of interest publicly announced from time to time by the Bank of America in San Francisco, California as its Reference Rate, and (ii) 0.5% per annum above the Federal Funds Rate. The "Offshore Rate" will be the London Interbank Offered Rate plus a variable rate ranging from 0.3125% to 0.6500% depending on Blockbuster's public debt rating and outstanding borrowings under the Blockbuster Credit Agreement. The "CD Rate" will be based upon a formula of the interest rates chargeable on certificates of deposit plus a variable rate ranging from 0.4375% to 0.7750% depending on Blockbuster's public debt rating and outstandings under the Blockbuster Credit Agreement.

The Blockbuster Credit Agreement and the New Blockbuster Facility contain certain covenants and events of default, including a change of control default, which will require either a waiver in connection with the Blockbuster Merger or the refinancing of the indebtedness under such facilities prior to the Blockbuster Merger.

Accordingly, assuming consummation of the Blockbuster Merger, the foregoing facilities, together with other current maturities, may require Viacom to refinance up to $5.7 billion ($4.0 billion if the Blockbuster Merger is not consummated) within the next six months. During May 1994, Viacom received commitments from a syndicate of financial institutions for a new long-term $6.8 billion credit facility. The new facility will have scheduled maturities commencing December 1996 and a final maturity of July 2002. The new Viacom facility will refinance existing bank indebtedness at Viacom, Viacom International and Paramount and will be available for general corporate purposes.

On May 5, 1994, Viacom, Viacom International and Paramount filed a shelf registration statement with the Commission registering $3.0 billion of debt securities and preferred stock, guaranteed by Viacom International and, after the Paramount Effective Time, Paramount. Some or all of the securities may be issued in one or more offerings.

Although Viacom expects that it will be able to refinance its indebtedness and meet its obligations without the need to sell any assets, Viacom is continuing to review opportunities for the sale of non-strategic assets as such opportunities may arise, including the exploration of the sale of the operations of Madison Square Garden and certain non-core publishing assets. Viacom cannot predict what obligations, if any, it will have in connection with the exercise of appraisal rights by Paramount stockholders nor has it determined the method(s) it may use to finance any such cash obligations. See "Dissenting Stockholders' Rights of Appraisal."

SALE OF VIACOM PREFERRED STOCK

On October 22, 1993, Blockbuster purchased $600 million of Series A Preferred Stock pursuant to an amended and restated subscription agreement (the "Blockbuster Preferred Stock Agreement") dated October 21, 1993 between Viacom and Blockbuster. On November 19, 1993, NYNEX (NYNEX and Blockbuster are hereinafter collectively referred to as the "Preferred Stock Investors") purchased $1.2 billion of Series B Preferred Stock pursuant to a subscription agreement (the "NYNEX Preferred Stock Agreement") dated October 4, 1993, as amended as of November 19, 1993, between Viacom and NYNEX. Additional terms of the Viacom Preferred Stock are described under "Description of Viacom Capital Stock--Viacom Preferred Stock."

The following description and that set forth under "Description of Viacom Capital Stock--Viacom Preferred Stock" is qualified in its entirety by reference to the respective Certificate of Designations of the Series A Preferred Stock and the Series B Preferred Stock.

Each of the Blockbuster Preferred Stock Agreement and the NYNEX Preferred Stock Agreement provides that for so long as the Preferred Stock Investor and its affiliates beneficially own at least $300 million, based on liquidation preference, of the Viacom Preferred Stock initially purchased or the equivalent in number of shares of Viacom Preferred Stock and shares of Viacom Class B Common Stock issued on conversion of Viacom Preferred Stock, the Preferred Stock Investor will be entitled to designate one representative to the Board of Directors of Viacom. The Director designated by Blockbuster is H. Wayne Huizenga, Chairman and Chief Executive Officer of Blockbuster, and the Director designated by NYNEX is William C. Ferguson, Chairman of the Board of NYNEX. See "Management Before and After the Mergers."

Each of the Blockbuster Preferred Stock Agreement and the NYNEX Preferred Stock Agreement provides the Preferred Stock Investors with registration rights with respect to the Viacom Preferred Stock and the Viacom Class B Common Stock issued upon conversion thereof and, for so long as the Preferred Stock Investor beneficially owns all of the series of Viacom Preferred Stock initially purchased by it, the right to participate in certain extraordinary dividends or distributions by Viacom on the same basis as if such Preferred Stock Investor had converted the Viacom Preferred Stock into Viacom Class B Common Stock, subject to certain adjustments being made to the terms of the Viacom Preferred Stock. The NYNEX Preferred Stock Agreement also provides for Viacom to repurchase from NYNEX the Series B Preferred Stock and Viacom Class B Common Stock issued upon conversion thereof in the event that continued beneficial ownership by NYNEX would be in violation of the MFJ. Under the MFJ, neither NYNEX nor any "affiliated enterprise," which, as of and after the purchase of the Series B Preferred Stock by NYNEX, may include Viacom and certain of its affiliates, may provide interexchange telecommunications service, interexchange access and information access services and certain other activities. See "Business."

In their agreements with Viacom, Blockbuster and NYNEX each agreed to pursue appropriate strategic partnership opportunities in the domestic and international media, entertainment, video transport and telecommunications sectors. The foregoing summaries of the material provisions of the Blockbuster Preferred Stock Agreement and the NYNEX Preferred Stock Agreement do not purport to be complete and are qualified in their entirety by reference to the Blockbuster Preferred Stock Agreement and the NYNEX Preferred Stock Agreement, respectively. The Blockbuster Preferred Stock Agreement and the NYNEX Preferred Stock Agreement have been filed with the Commission under the Exchange Act by each of Viacom and Blockbuster or NYNEX, as the case may be, and are incorporated herein by reference.

CERTAIN PROVISIONS OF THE PARAMOUNT MERGER AGREEMENT

The following is a summary of the material provisions of the Paramount Merger Agreement not summarized elsewhere in this Proxy Statement/Prospectus. The Paramount Merger Agreement is attached as Annex I to this Proxy Statement/Prospectus and is incorporated herein by reference. The following summary does not purport to be complete and is qualified in its entirety by reference to the Paramount Merger Agreement.

PROCEDURE FOR EXCHANGE OF PARAMOUNT CERTIFICATES

As soon as reasonably practicable after the Paramount Effective Time, Viacom will instruct Paramount's transfer agent, Chemical Bank, to mail to each holder of record of a certificate or certificates which immediately prior to the Paramount Effective Time evidenced outstanding shares of Paramount Common Stock (other than Dissenting Shares) (the "Paramount Certificates") (i) a letter of transmittal and (ii) instructions to effect the surrender of the Paramount Certificates in exchange for the certificates evidencing shares of Viacom Class B Common Stock, the Viacom Merger Debentures, CVRs, Viacom Warrants and cash in lieu of fractional shares. Upon surrender of a Paramount Certificate for cancellation to the bank or trust company designated in its capacity as Exchange Agent (the "Paramount Exchange Agent") together with such letter of transmittal, duly executed, and such other customary documents as may be required pursuant to such instructions, the holder of such Paramount Certificate shall be entitled to receive in exchange therefor (i) certificates evidencing that number of whole shares of Viacom Class B Common Stock and that number of whole CVRs, Viacom Merger Debentures and Viacom Warrants which such holder has the right to receive in respect of the shares of Paramount Common Stock formerly evidenced by such Paramount Certificate, (ii) any dividends or other distributions to which such holder is entitled as described below and (iii) cash in lieu of fractional shares of Viacom Class B Common Stock and fractional CVRs, Viacom Merger Debentures and Viacom Warrants, and the Paramount Certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of shares of Paramount Common Stock which is not registered in the transfer records of Paramount, shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Viacom Warrants and cash in lieu of fractional shares may be issued and paid to a transferee if the Paramount Certificate evidencing such shares of Paramount Common Stock is presented to the Paramount Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered, each Paramount Certificate shall be deemed at any time after the Paramount Effective Time to evidence only the right to receive upon such surrender the certificates evidencing Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Viacom Warrants, cash in lieu of fractional shares, any dividends and other distributions to which such holder is entitled and cash in lieu of fractional shares as described above.

PARAMOUNT STOCKHOLDERS SHOULD NOT FORWARD THEIR STOCK CERTIFICATES TO THE PARAMOUNT EXCHANGE AGENT WITHOUT A LETTER OF TRANSMITTAL AND SHOULD NOT RETURN THEIR STOCK CERTIFICATES WITH THE ENCLOSED PROXY OR FORM OF ELECTION.

No dividends or other distributions declared or made after the Paramount Effective Time with respect to shares of Viacom Class B Common Stock and the CVRs, Viacom Merger Debentures and Viacom Warrants with a record date after the Paramount Effective Time shall be paid to the holder of any unsurrendered Paramount Certificate with respect to the shares of Viacom Class B Common Stock and the CVRs, Viacom Merger Debentures or Viacom Warrants they are entitled to receive until the holder of such Paramount Certificate shall surrender such Paramount Certificate.

No fraction of a share of Viacom Class B Common Stock or fraction of a CVR, Viacom Merger Debenture or Viacom Warrant will be issued in the Paramount Merger. In lieu of any such fractional shares or fractional CVRs, Viacom Merger Debentures or Viacom Warrants, each holder of Paramount Common Stock upon surrender of a Paramount Certificate for exchange will be paid (1) an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the per share closing price on the AMEX of Viacom Class B Common Stock on the date of the Paramount Effective Time by (y) the fractional interest to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder) plus (2) an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one CVR, as determined by reference to a five-day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board by (y) the fractional interest in a CVR to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder) plus (3) an amount in cash (without interest) rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Three-Year Warrant, as determined by reference to a five-day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board by (y) the fractional interest in a Viacom Three-Year Warrant to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder) plus (4) an amount in cash (without interest) determined as described below in respect of the fractional interest in a Viacom Merger Debenture to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder) plus (5) an amount in cash (without interest) rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Five-Year Warrant, as determined by reference to a five-day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board by (y) the fractional interest in a Viacom Five-Year Warrant to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder).

The Viacom Merger Debentures will be issued in the Paramount Merger only in principal amounts of $1,000 or integral multiples thereof. Holders of shares of Paramount Common Stock otherwise entitled to fractional amounts of Viacom Merger Debentures will be entitled to receive promptly from the Exchange Agent a cash payment in an amount equal to such holder's proportionate interest (after taking into account all shares of Paramount Common Stock then held of record by such holder) in the proceeds from the sale or sales in the open market by the Exchange Agent, on behalf of all such holders, of the aggregate fractional principal amount of Viacom Merger Debentures.

Neither Viacom nor Paramount will be liable to any holder of shares of Paramount Common Stock for any such shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Viacom Warrants (or dividends or distributions with respect thereto) or cash in respect of shares of Paramount Common Stock or cash in lieu of fractional shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures or Viacom Warrants delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

After the Paramount Effective Time, there will be no transfers on the stock transfer books of Paramount of shares of Paramount Common Stock.

CERTAIN REPRESENTATIONS AND WARRANTIES

The Paramount Merger Agreement contains various representations and warranties of Viacom and Paramount relating to, among other things, the following matters (which representations and warranties are subject, in certain cases, to specified exceptions): (i) the due organization, existence and good standing of, and similar corporate matters with respect to, each of Viacom, Paramount, the Viacom Material Subsidiaries, and the Paramount Material Subsidiaries (as such terms are defined in the

Paramount Merger Agreement); (ii) each of Viacom's and Paramount's organizational documents; (iii) each of Viacom's and Paramount's capital structure; (iv) the authorization, execution, delivery, performance by and enforceability of the Paramount Merger Agreement against Viacom and Paramount; (v) the absence of any governmental or regulatory authorization, consent or approval required to consummate the Paramount Merger, other than as disclosed; (vi) the absence of any conflict with such party's Certificate of Incorporation or By-laws, or with applicable law, or with certain contracts, other than as disclosed; (vii) required filings, permits and consents to effectuate the Paramount Merger; (viii) compliance with applicable laws; (ix) reports and other documents filed with the Commission and other regulatory authorities and the accuracy of the information contained therein; (x) the absence of certain changes or events prior to the date of the Paramount Merger Agreement having a material adverse effect on the financial condition, business or operations of Viacom and its subsidiaries or Paramount and its subsidiaries, as the case may be, except for any actions taken by Viacom in connection with the Blockbuster Merger or the Blockbuster Subscription Agreement; (xi) the absence of material pending or threatened litigation; (xii) the qualification, operation and liability under certain employee benefit plans of Viacom and its subsidiaries and Paramount and its subsidiaries, as the case may be; (xiii) the right to use all material patents, trademarks or copyrights for use in connection with the business of Viacom and its subsidiaries or Paramount and its subsidiaries, as the case may be; (xiv) certain tax matters and payment of taxes; (xv) the opinion of the respective financial advisors of Viacom and Paramount as to the fairness of the financial terms of the Offer and the Paramount Merger to their respective stockholders; (xvi) the absence of any brokerage, finder's or other fee due in connection with the Paramount Merger (except, in the case of Viacom, to Smith Barney and, in the case of Paramount, to Lazard Freres); and (xvii) the votes required by the stockholders of Viacom and Paramount to approve the transaction. In addition, Paramount represented and warranted to Viacom that all necessary action was taken to amend the Rights Agreement, so that (a) none of the transactions contemplated by the Paramount Merger Agreement will lead to (1) the exercise of the Rights, (2) Viacom or a Viacom subsidiary being deemed an "Acquiring Person" (as defined in the Rights Agreement) or (3) the "Stock Acquisition Date" (as defined in the Rights Agreement) occurring upon any such event and (b) the "Expiration Date" (as defined in the Rights Agreement) of the Rights will occur immediately prior to the Paramount Effective Time. Viacom has represented and warranted (i) that as of the date of the Paramount Merger Agreement and based on the number of issued and outstanding shares of Paramount Common Stock as of September 3, 1993 set forth in the Merger Agreement, Viacom and its affiliates beneficially owned, in the aggregate, less than 5% of the issued and outstanding shares of Paramount Common Stock, (ii) that, since September 12, 1993, neither Viacom nor, to Viacom's knowledge, its affiliates have purchased or sold shares of Viacom Class A Common Stock or Viacom Class B Common Stock and neither Viacom nor, to Viacom's knowledge, its affiliates have any knowledge of any such trading and (iii) that the representations and warranties of Viacom contained in the Blockbuster Merger Agreement are true and correct as of the date of the Paramount Merger Agreement and the date of consummation of the Offer, except as would not have a material adverse effect on the financial condition of the combined company.

RIGHTS AGREEMENT AMENDMENTS

Pursuant to the Paramount Merger Agreement, on March 1, 1994, Paramount amended the Rights Agreement so that the acquisition of Paramount Common Stock pursuant to the Offer or the Paramount Merger does not cause the Rights issued thereunder to become exercisable, and on January 21, 1994, Paramount amended the Rights Agreement so that the Rights will expire immediately prior to the Paramount Effective Time (the "Rights Agreement Amendments"). For a complete description of the Rights Agreement, as amended, see "Comparison of Stockholder Rights--Rights Plans."

CONDUCT OF BUSINESSES PENDING THE PARAMOUNT MERGER

Each of Viacom and Paramount has agreed that prior to the Paramount Effective Time, unless otherwise consented to in writing by the other party and except, in the case of Viacom, for actions taken by Viacom in order to consummate the Blockbuster Merger, the businesses of each of Paramount and Viacom and their respective subsidiaries will in all material respects be conducted in, and each of Paramount and Viacom and their respective subsidiaries will not take any material action except in, the ordinary course of business, consistent with past practice. In addition, each of Paramount and Viacom will use its reasonable best efforts to preserve substantially intact its business organization, to keep available the services of its and its subsidiaries' current officers, employees and consultants and to preserve its and its subsidiaries' relationships with customers, suppliers and other persons with which it or any of its subsidiaries has significant business relations. By way of amplification and not limitation, Viacom and Paramount have agreed that, except as contemplated by the Paramount Merger Agreement and for any actions taken by Viacom in order to consummate the Blockbuster Merger, neither Viacom nor Paramount nor any of their respective subsidiaries will, prior to the Paramount Effective Time, directly or indirectly do, or propose or agree to do, any of the following without the prior written consent of the other (provided that the following restrictions do not apply to any subsidiaries which Paramount or Viacom, as the case may be, do not control): (i) amend the Certificate of Incorporation or By-laws of Viacom or Paramount (except, with respect to Viacom, any amendments to its Restated Certificate of Incorporation contemplated by the Paramount Merger Agreement and the filing of the Certificate of Designation for the Series C Preferred Stock); (ii) issue, sell, pledge, dispose of, grant, encumber or authorize the issuance, sale, pledge, disposition, grant or encumbrance of (a) any shares of capital stock of any class of it or any of its subsidiaries, or any options (other than the grant of options in the ordinary course of business consistent with past practice to employees who are not executive officers of Paramount or Viacom), warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of it or any of its subsidiaries (other than the issuance of shares of capital stock in connection with any dividend reinvestment plan or by any Paramount benefit plan with an employee stock fund or employee stock ownership plan feature, consistent with applicable securities laws or the exercise of options, warrants or other similar rights or conversion of convertible preferred stock outstanding as of the date of the Paramount Merger Agreement and in accordance with the terms of such options, warrants or rights in effect on the date of the Paramount Merger Agreement or otherwise permitted to be granted pursuant to the Paramount Merger Agreement) or (b) any assets of it or any of its subsidiaries, except for sales in the ordinary course of business or which, individually, do not exceed $10 million or which, in the aggregate, do not exceed $25 million; (iii) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, except (a) in the case of Viacom, with respect to the Viacom Preferred Stock, (b) in the case of Paramount, regular quarterly dividends in amounts not in excess of $.20 per share of Paramount Common Stock, per quarter and payable consistent with past practice; provided that, prior to the declaration of any such dividend, Paramount shall consult with Viacom as to the timing and advisability of declaring any such dividend, and (c) dividends declared and paid by a subsidiary of either Paramount or Viacom, each such dividend to be declared and paid in the ordinary course of business consistent with past practice; (iv) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock other than acquisitions by a dividend reinvestment plan or by any Paramount benefit plan with an employee stock fund or employee stock ownership plan feature, consistent with applicable securities laws; (v) (a) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof or any assets, except for such acquisitions which, individually, do not exceed $10 million or which, in the aggregate, do not exceed $25 million; (b) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except (1) for any such indebtedness incurred by Viacom in connection with the Paramount Merger or the Offer, (2) the

refinancing of existing indebtedness, (3) borrowings under commercial paper programs in the ordinary course of business, (4) borrowings under existing bank lines of credit in the ordinary course of business, or (5) which, in the aggregate, do not exceed $25 million; or (c) enter into or amend any contract, agreement, commitment or arrangement with respect to any matter described in this clause (v); (vi) increase the compensation payable or to become payable to its executive officers or employees, except for increases in the ordinary course of business in accordance with past practices, or grant any severance or termination pay to, or enter into any employment or severance agreement with any director or executive officer of it or any of its subsidiaries, or establish, adopt, enter into or amend in any material respect or take action to accelerate any rights or benefits under any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, executive officer or employee; or (vii) take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures.

CONDITIONS TO CONSUMMATION OF THE PARAMOUNT MERGER

The obligations of Viacom and Paramount to consummate the Paramount Merger are subject to the satisfaction or, where legally permissible, waiver of various conditions, including (i) the effectiveness of the Registration Statement and the absence of any stop order suspending the effectiveness thereof and any proceedings for that purpose initiated by the Commission; (ii) the approval of the Paramount Merger Agreement by the requisite holders of Paramount Common Stock and the approval of the Paramount Merger Agreement and related transactions by the requisite holders of Viacom Class A Common Stock; (iii) no governmental entity having enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Paramount Merger or any transaction contemplated by the Paramount Merger Agreement; provided, however, that the parties have agreed to use their reasonable best efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted; and (iv) the shares of Viacom Class B Common Stock and the Viacom Warrants, Viacom Merger Debentures and CVRs issuable to stockholders of Paramount in accordance with the terms of the Paramount Merger Agreement being authorized for listing on AMEX upon official notice of issuance.

The obligations of Paramount to effect the Paramount Merger and the other transactions contemplated by the Paramount Merger Agreement are also subject to the following conditions: (i) each of the representations and warranties of Viacom contained in the Paramount Merger Agreement being true and correct as of the Paramount Effective Time, as though made on and as of the Paramount Effective Time, except (a) for changes specifically permitted by the Paramount Merger Agreement and (b) that those representations and warranties which address matters only as of a particular date are required to remain true and correct as of such date, except in any case for such failures to be true and correct which would not, individually or in the aggregate, have a material adverse effect on Viacom and its subsidiaries, taken as a whole; (ii) Viacom having performed or complied in all material respects with all agreements and covenants required by the Paramount Merger Agreement to be performed or complied with by it on or prior to the Paramount Effective Time; (iii) since the date of the Paramount Merger Agreement, there being no change, occurrence or circumstance in the business, results of operations or financial condition of Viacom or any of its subsidiaries having or reasonably likely to have, individually or in the aggregate, a material adverse effect on the business, results of operations or financial condition of Viacom and its subsidiaries, taken as a whole; and (iv) Viacom having filed with the Secretary of State of the State of Delaware a certificate of amendment to Viacom's Restated Certificate of Incorporation pursuant to which certain amendments required by the Paramount Merger Agreement became effective (to the extent not previously voted upon and approved by the holders of Viacom Class A Common Stock).

RESTRICTIONS ON GOING PRIVATE TRANSACTIONS

From and after the Paramount Effective Time and until the tenth anniversary of the Paramount Effective Time, Viacom shall not enter into any agreement with any stockholder (a "Significant Stockholder") who beneficially owns more than 35% of the then outstanding securities entitled to vote at a meeting of the stockholders of Viacom that would constitute a Rule 13e-3 transaction under the Exchange Act (a "Going Private Transaction"), unless Viacom provides in any agreement pursuant to which such Going Private Transaction shall be effected that, as a condition to the consummation of such Going Private Transaction, (a) the holders of a majority of the shares not beneficially owned by the Significant Stockholder that are voted and present at the meeting of stockholders called to vote on such Going Private Transaction shall have voted in favor thereof and (b) a special committee of independent directors shall have (i) approved the terms and conditions of the Going Private Transaction and shall have recommended that the stockholders vote in favor thereof and (ii) received from its financial advisor a written financial fairness opinion for inclusion in the proxy statement to be delivered to the stockholders. Such restrictions shall not apply to any Significant Stockholder if there exists another stockholder who beneficially owns a greater percentage of outstanding securities entitled to vote at the meeting than such Significant Stockholder.

BLOCKBUSTER MERGER AGREEMENT

Viacom has agreed that the terms of the Blockbuster Merger Agreement shall not, without the consent of Paramount, be amended or waived in any manner that would have a material adverse effect on the value of the Paramount Merger Consideration and the consideration paid pursuant to the Offer, taken together.

INDEMNIFICATION; INSURANCE

Viacom and Paramount have agreed in the Paramount Merger Agreement that the Certificate of Incorporation and By-laws of Paramount will contain the provisions with respect to indemnification set forth in the Restated Certificate of Incorporation and By-laws of Viacom on the date of the Paramount Merger Agreement, which provisions will not be amended, repealed or otherwise modified for a period of six years after the Paramount Effective Time in any manner that would adversely affect the rights thereunder of individuals who at any time prior to the Paramount Effective Time were directors or officers of Paramount in respect of actions or omissions occurring at or prior to the Paramount Effective Time (including, without limitation, the transactions contemplated by the Paramount Merger Agreement), unless such modification is required by law. The parties have also agreed in the Paramount Merger Agreement that after the Paramount Effective Time, Paramount will indemnify, defend and hold harmless the present and former officers and directors of Paramount (collectively, the "Indemnified Parties") against all losses, expenses, claims, damages, liabilities or amounts that are paid in settlement of, with the approval of the combined company (which approval shall not unreasonably be withheld), or otherwise in connection with any claim, action, suit, proceeding or investigation (a "Claim"), based in whole or in part on the fact that such person is or was a director or officer of Paramount and arising out of actions or omissions occurring at or prior to the Paramount Effective Time (including, without limitation, the transactions contemplated by the Paramount Merger Agreement), in each case to the full extent permitted under the DGCL. Viacom and Paramount have agreed in the Paramount Merger Agreement that Paramount will advance expenses as incurred to the fullest extent permitted by the DGCL, provided that the recipient thereof provides the undertaking to repay such advances contemplated by the DGCL. Viacom and Paramount have also agreed in the Paramount Merger Agreement that if any such claim, action or proceeding is brought against any indemnified party (whether arising prior to or after the Paramount Effective Time) after the Paramount Effective Time, Paramount will pay the reasonable fees and expenses of counsel selected by such indemnified party and will use its reasonable best efforts to assist in the vigorous defense of such matter.

The Paramount Merger Agreement further provides that, with respect to matters occurring prior to the Paramount Effective Time, Paramount will cause to be maintained for three years after the Paramount Effective Time the current policies of directors' and officers' liability insurance maintained by Paramount, or may substitute therefor policies of at least the same coverage, containing terms and conditions which are no less advantageous. Paramount will not be required to pay premiums for such insurance in excess of an amount equal to 200% of current annual premiums paid by Paramount for such insurance.

TERMINATION

The Paramount Merger Agreement may be terminated at any time prior to the Paramount Effective Time, whether before or after approval of the Paramount Merger Agreement by the stockholders of Paramount or the approval of the issuance of the shares of Viacom Common Stock in accordance with the Paramount Merger Agreement by the stockholders of Viacom (a) by mutual consent of Paramount and Viacom; (b) by Paramount, upon a breach by Viacom of any of its representations, warranties, covenants or agreements set forth in the Paramount Merger Agreement, or if any representation or warranty of Viacom shall have become untrue, in either case such that the conditions relating to such other party's representations, warranties, agreements or covenants would be incapable of being satisfied by July 31, 1994 (provided that in any case, a wilful breach will be deemed to cause such conditions to be incapable of being satisfied); (c) by either Viacom or Paramount, if any permanent injunction or action by any governmental entity preventing the consummation of the Paramount Merger shall have become final and nonappealable; (d) by either Viacom or Paramount, if the Paramount Merger shall not have been consummated before July 31, 1994; provided, however, that the Paramount Merger Agreement may be extended by written notice of either Viacom or Paramount to a date not later than September 30, 1994, if the Paramount Merger shall not have been consummated as a direct result of Viacom or Paramount having failed by July 31, 1994 to receive all required regulatory approvals or consents with respect to the Paramount Merger; and (e) by either Viacom or Paramount, if the Paramount Merger Agreement shall fail to receive the requisite vote for approval and adoption by the stockholders of Paramount or Viacom at their respective Special Meeting.

In the event of termination of the Paramount Merger Agreement by either Viacom or Paramount, the Paramount Merger Agreement will become void and there will be no liability or obligation on the part of Viacom or Paramount other than under certain provisions of the Paramount Merger Agreement relating to any breach of the Paramount Merger Agreement or confidential treatment of non-public information.

EXPENSES

Under the Paramount Merger Agreement all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred by Viacom and Paramount will be borne solely and entirely by the party which has incurred such costs and expenses; provided, however, that all costs and expenses related to printing, filing and mailing the Registration Statement and this Proxy Statement/Prospectus and all Commission and other regulatory filing fees incurred in connection with the Registration Statement and this Proxy Statement/Prospectus will be borne equally by Paramount and Viacom.

AMENDMENT AND WAIVER

Subject to applicable law, the Paramount Merger Agreement may be amended by action taken by or on behalf of the respective Boards of Directors of Viacom or Paramount at any time prior to the Paramount Effective Time. After approval of the Paramount Merger by the stockholders of Paramount

or Viacom, no amendment, which under applicable law may not be made without the approval of the stockholders of Paramount or Viacom, may be made without such approval.

At any time prior to the Paramount Effective Time, either Paramount or Viacom may (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties of the other party contained in the Paramount Merger Agreement or in any document delivered pursuant thereto and (iii) waive compliance by the other party with any of the agreements or conditions contained therein.

On May 26, 1994, the Viacom Board and the Reconstituted Board of Directors of Paramount approved the May Amendment, the principal purposes of which were to (i) add Merger Subsidiary as a party, (ii) provide for the merger of Merger Subsidiary with and into Paramount (rather than Paramount into Viacom) and (iii) provide for the treatment of Paramount Stock Options in the Paramount Merger as described under "The Paramount Merger--Effect on Employee Benefit Stock Plans."

EXCHANGE ACT REGISTRATION AND TRADING OF THE PARAMOUNT COMMON STOCK

Paramount Common Stock is currently registered under the Exchange Act, which requires, among other things, that Paramount furnish certain information to its stockholders and to the Commission and comply with the Commission's proxy rules in connection with meetings of stockholders. Registration of the Paramount Common Stock also makes certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), applicable to Paramount and its officers and directors. Registration of the Paramount Common Stock under the Exchange Act may be terminated upon the application of Paramount to the Commission if the Paramount Common Stock is not quoted through the inter-dealer quotation system of a registered national securities association and there are fewer than 300 holders of record of such class, which conditions will be satisfied upon consummation of the Paramount Merger. Paramount intends to file with the Commission a notice of termination of registration of Paramount Common Stock as soon as practicable after the Paramount Effective Time. After consummation of the Paramount Merger, Paramount may no longer be required to file annual and quarterly reports with the Commission, comply with the proxy rules or send annual reports to stockholders. In addition, upon the effectiveness of the termination of registration, Paramount, its officers and directors and certain of its stockholders will no longer be required to make any other filing with the Commission with respect to the Paramount Common Stock. It is expected that, after the effective date of the Paramount Merger, Paramount Common Stock will cease to be traded on the NYSE.

BLOCKBUSTER

Blockbuster is an international entertainment company with businesses operating in the home video, music retailing and filmed entertainment industries. Blockbuster also has investments in other entertainment related businesses. The principal executive offices of Blockbuster are located at One Blockbuster Plaza, Fort Lauderdale, Florida 33301 (telephone: (305) 832-3000).

HOME VIDEO RETAILING. Blockbuster owns, operates and franchises Blockbuster Video videocassette rental and sales stores. Blockbuster believes that Blockbuster Video stores, which range in size from approximately 3,800 to 11,500 square feet, are generally larger than most videocassette rental and sales stores. Blockbuster Video stores generally carry a comprehensive selection of 7,000 to 13,000 prerecorded videocassettes, consisting of more than 5,000 titles. The proprietary computer software used in Blockbuster Video stores has been designed and developed by Blockbuster and is available only to Blockbuster-owned and franchise-owned Blockbuster Video stores and to other video stores which are to be converted to the Blockbuster Video format. Blockbuster's home video stores do not sell video hardware at retail, although video hardware is typically included in store equipment sold at wholesale to franchise owners. Blockbuster Video stores, however, offer customers a limited number of video hardware units for rental. According to a survey published in the December 1993 issue of Video Store Magazine, Blockbuster's and its franchise owners' systemwide revenue from the rental and sale of prerecorded videocassettes is greater than that of any other video specialty chain in the United States.

Since February 1992, Blockbuster has operated video stores under the trade name "Ritz" in the United Kingdom and Austria through Cityvision. These stores average 1,100 square feet in size with, on average, approximately 3,000 prerecorded videocassettes available for rental and sale.

Since acquiring all of the outstanding capital stock of Super Club from subsidiaries of Philips Electronics N.V. ("Philips") in November 1993, Blockbuster has operated video stores under the trade names "Video Towne", "Alfalfa", "Movies at Home" and "Movieland" in the United States. These stores average 6,700 square feet in size with, on average, approximately 5,000 prerecorded videocassettes available for rental and sale.

As of December 31, 1993, there were 3,593 video stores operating in Blockbuster's system, of which 2,698 were Blockbuster-owned and 895 were franchise-owned. Blockbuster-owned video stores at December 31, 1993 included 775 stores operating under the "Ritz" trade name in the United Kingdom and 120 stores operating under the "Video Towne", "Alfalfa", "Movies at Home" and "Movieland" trade names. The Blockbuster Video system operates in 49 states and 10 foreign countries.

MUSIC RETAILING. Through music stores operating under various trade names, including "Blockbuster Music Plus", "Sound Warehouse", "Music Plus", "Record Bar", "Tracks", "Turtle's" and "Rhythm and Views", Blockbuster is among the largest specialty retailers of prerecorded music in the United States, with 511 stores operating throughout the country as of December 31, 1993. Blockbuster is also a partner in an international joint venture with Virgin to develop music "Megastores" in continental Europe, Australia and the United States. The joint venture currently owns interests in and operates 20 "Megastores."

FILMED ENTERTAINMENT. Blockbuster has interests in the filmed entertainment industry through its investment in Spelling Entertainment, which operates in a broad range of filmed entertainment businesses, supported by an extensive library of television series, feature films, television movies, mini-series and specials. Blockbuster owned approximately 70.5% of Spelling Entertainment's outstanding shares of common stock and approximately 39% of Republic Pictures' outstanding shares of common stock as of December 31, 1993.

In April 1994, a wholly owned subsidiary of Spelling Entertainment merged with and into Republic Pictures, and Republic Pictures became a wholly owned subsidiary of Spelling Entertainment.

OTHER ENTERTAINMENT. As of December 31, 1993, Blockbuster owned approximately 19.1%, of the outstanding common stock of Discovery Zone. Discovery Zone owns, operates and franchises Discovery Zone FunCenters. Blockbuster currently operates 47 Discovery Zone facilities as a franchisee of Discovery Zone and has rights to develop additional Discovery Zone facilities directly and in a joint venture with Discovery Zone.

CERTAIN RECENT DEVELOPMENTS. For a description of Blockbuster's purchase of Series A Preferred Stock see "Sale of Viacom Preferred Stock." For a description of Blockbuster's purchase of Viacom Class B Common Stock, see "--Certain Transactions Between Viacom and Blockbuster and With Their Stockholders." During the three months ended March 31, 1994, Blockbuster acquired businesses that own and operate video stores and indoor recreational facilities for children and invested in a business which develops, publishes and distributes interactive software. The aggregate purchase price paid by Blockbuster was approximately $53,040,000 and consisted of cash and 1,358,706 shares of Blockbuster Common Stock.

In a letter to stockholders dated May 4, 1994, H. Wayne Huizenga, the Chairman of the Board of Blockbuster, stated that, although Blockbuster continues to believe that the combination of Blockbuster with Viacom and Paramount represents an excellent strategic opportunity, given Viacom's stock prices as of the date of his letter, there could be no assurance that the Blockbuster Board would be able to recommend the Blockbuster Merger Agreement to the Blockbuster stockholders at the time of any stockholder meeting called to vote on the Blockbuster Merger. Mr. Huizenga also stated, among other things, that Blockbuster was unable to say whether or not the Blockbuster Merger would go forward or whether or not any special meeting of Blockbuster stockholders would be called to vote on the Blockbuster Merger.

CERTAIN TRANSACTIONS BETWEEN VIACOM AND BLOCKBUSTER AND WITH THEIR STOCKHOLDERS

Blockbuster Subscription Agreement.

On March 10, 1994 Blockbuster purchased approximately 22.7 million shares of Viacom Class B Common Stock for an aggregate purchase price of approximately $1.25 billion, or $55 per share pursuant to the Blockbuster Subscription Agreement. If the Blockbuster Merger Agreement is terminated, Viacom will be obligated to make certain payments to Blockbuster or to sell certain assets to Blockbuster in the event that Viacom Class B Common Stock trades (for a specified period) at levels below $55 per share during the one year period after such termination.

Blockbuster Voting Agreement.

Pursuant to the Blockbuster Voting Agreement, NAI has agreed to vote its shares of Viacom Class A Common Stock in favor of the Blockbuster Merger Agreement and against any competing business combination proposal. Approval of the Blockbuster Merger Agreement by the stockholders of Viacom is therefore assured.

Blockbuster Stockholders Stock Option Agreement.

Pursuant to the Amended and Restated Stockholders Stock Option Agreement dated as of January 7, 1994 (the "Blockbuster Stockholders Stock Option Agreement"), among Viacom and certain stockholders of Blockbuster (the "Blockbuster Option Stockholders"), the Blockbuster Option Stockholders have granted to Viacom (i) options to purchase an aggregate of approximately 15.6 million shares of Blockbuster Common Stock (representing approximately 6.3% of the outstanding Blockbuster Common Stock as of January 7, 1994), and shares subsequently acquired by the Blockbuster Option Stockholders, at a price of $30.125 per share under certain circumstances in the event the Blockbuster Merger Agreement is terminated and (ii) proxies to vote such shares in favor of the Blockbuster Merger and against any competing business combination proposal.

Blockbuster Proxy Agreement.

Pursuant to the Amended and Restated Proxy Agreement dated as of January 7, 1994 (the "Blockbuster Proxy Agreement") among Viacom and certain stockholders of Blockbuster (the "Blockbuster Proxy Stockholders"), the Blockbuster Proxy Stockholders have granted to Viacom proxies to vote shares of Blockbuster Common Stock owned by such stockholders in favor of the Blockbuster Merger Agreement and against any competing business combination proposal, which shares, together with the shares subject to the Blockbuster Stockholders Stock Option Agreement (collectively, the "Blockbuster Proxy Shares"), represent approximately 22.3% of the outstanding shares of Blockbuster Common Stock as of January 7, 1994.

FORM OF THE BLOCKBUSTER MERGER

If all required stockholder approvals are obtained and all other conditions to the Blockbuster Merger are satisfied or waived, then Blockbuster will be merged with and into Viacom, with Viacom being the surviving corporation.

BLOCKBUSTER MERGER CONSIDERATION

At the Blockbuster Effective Time, each share of Blockbuster Common Stock that is issued and outstanding immediately prior to the Blockbuster Effective Time (other than shares of Blockbuster Common Stock owned by Viacom or any direct or indirect wholly owned subsidiary of Viacom or of Blockbuster and other than shares of Blockbuster Common Stock held by stockholders who shall have demanded and perfected appraisal rights, if available, under the DGCL) will be automatically converted into the right to receive (i) 0.08 of a share of Viacom Class A Common Stock, (ii) 0.60615 of a share of Viacom Class B Common Stock and (iii) up to an additional 0.13829 of a share of Viacom Class B Common Stock, with such number of shares depending on market prices of Viacom Class B Common Stock during the year following the Blockbuster Effective Time, evidenced by one VCR. No fractional securities will be issued in the Blockbuster Merger.

The VCRs represent the right to receive shares of Viacom Class B Common Stock under certain circumstances on the first anniversary of the Blockbuster Effective Time (the "VCR Conversion Date"). The number of shares of Viacom Class B Common Stock into which each VCR will convert on the VCR Conversion Date will not exceed 0.05929 of a share of Viacom Class B Common Stock if the average of the closing prices for a share of Viacom Class B Common Stock exceeds $40 per share during any 30 consecutive trading day period following the Blockbuster Effective Time and prior to the VCR Conversion Date. In the event that during any such period such average price exceeds $52 per share, the VCRs will terminate and have no value and the holders thereof will have no further rights with respect to the VCRs.

If the calculation in the above paragraph is inapplicable, the number of shares of Viacom Class B Common Stock into which the VCRs will convert will generally be based upon the value of Viacom Class B Common Stock (the "Class B Value") determined during the 90 trading day period (the "VCR Valuation Period") immediately preceding the VCR Conversion Date. The Class B Value will be equal to the average closing price of a share of Viacom Class B Common Stock during the 30 consecutive trading days in the VCR Valuation Period which yields the highest average closing price of a share of Viacom Class B Common Stock. In the event that the Class B Value is more than $40 per share but less than $48 per share, each VCR will convert into 0.05929 of a share of Viacom Class B Common Stock on the VCR Conversion Date. If the Class B Value is $40 per share or below, the number of shares of Viacom Class B Common Stock into which each VCR will convert on the VCR Conversion Date will increase ratably to the maximum of 0.13829 of a share of Viacom Class B Common Stock, which will occur if the Class B Value is $36 per share or below. If the Class B Value is $48 per share or above, the number of shares of Viacom Class B Common Stock into which the VCR will convert on the VCR

Conversion Date will decrease ratably to zero, which will occur if the Class B Value is $52 per share or above.

The dollar amounts will be reduced by a percentage equal to any percentage decline in excess of 25% in the Standard & Poor's 400 Index from the Blockbuster Effective Time until the VCR Conversion Date. Certain days are not included as "trading days" if the number of shares of Viacom Class B Common Stock traded on such days is below specified levels. See "Description of Viacom Capital Stock--Viacom Common Stock."

Upon consummation of the Blockbuster Merger, any shares of Blockbuster Common Stock owned by Viacom or any direct or indirect wholly owned subsidiary of Blockbuster or Viacom will be cancelled.

The Blockbuster Merger Consideration was determined through negotiations between Viacom and Blockbuster, each of which was advised with respect to such negotiations by its respective financial advisor.

Any shares of Viacom Class A Common Stock, shares of Viacom Class B Common Stock or VCRs issued as part of the Blockbuster Merger Consideration, or shares of Viacom Class B Common Stock issued upon the maturity of the VCRs, to residents of Canada may be subject to certain resale restrictions, including that they may be required to be resold outside of Canada or pursuant to an available exemption under applicable Canadian securities laws.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Blockbuster Merger will constitute a reorganization within the meaning of section 368(a)(1)(A) of the Code. Neither Blockbuster nor Viacom will recognize any gain or loss as a result of the Blockbuster Merger. No ruling has been (or will be) sought from the Internal Revenue Service as to the tax consequences of the Blockbuster Merger.

APPRAISAL RIGHTS WITH RESPECT TO THE BLOCKBUSTER MERGER

It is uncertain whether appraisal rights are available to holders of Blockbuster Common Stock under the DGCL in connection with the Blockbuster Merger. Although the VCRs evidence only the right to receive shares of Viacom Class B Common Stock under certain circumstances, the VCRs could be characterized as consideration other than shares of stock of Viacom. If the VCRs are considered to be "shares of stock" of Viacom under Section 262(b) of the DGCL, then the holders of Blockbuster Common Stock will not have appraisal rights. However, if the VCRs are not considered to be "shares of stock," then appraisal rights will be available to those stockholders of Blockbuster who meet and comply with the requirements of Section 262 of the DGCL. Stockholders of Viacom will have no appraisal rights in connection with the Blockbuster Merger.

TREATMENT OF BLOCKBUSTER WARRANTS AND EMPLOYEE STOCK OPTIONS

The Blockbuster Merger Agreement provides that, at the Blockbuster Effective Time, Viacom will assume Blockbuster's obligations with respect to each outstanding stock option to purchase shares of Blockbuster Common Stock, subject to the following modification. The Blockbuster stock options assumed by Viacom will have the same terms and conditions as those of the applicable stock option plans and agreements pursuant to which the Blockbuster stock options were issued except that each Blockbuster stock option will be exercisable for (A) that number of whole shares of (i) Viacom Class A Common Stock equal to the product of the number of shares of Blockbuster Common Stock covered by such Blockbuster stock option multiplied by 0.08 and (ii) Viacom Class B Common Stock equal to the product of the number of shares of Blockbuster Common Stock covered by such Blockbuster stock option multiplied by 0.60615 and (B) that number of VCRs equal to the number of shares of Blockbuster Common Stock covered by such Blockbuster stock option (or, on or after the VCR

Conversion Date, the number of shares of Viacom Class B Common Stock (if any) into which the VCRs were converted).

At January 31, 1994, an aggregate of 18,163,772 shares of Blockbuster Common Stock were subject to options granted to employees and directors of Blockbuster under various stock option plans. Such plans generally provide that the options granted thereunder become immediately exercisable in the event Blockbuster participates in a Business Combination with a Substantial Stockholder (each as defined under the Blockbuster Certificate of Incorporation). The Blockbuster Merger would constitute a Business Combination of Blockbuster with a Substantial Stockholder and, accordingly, options granted under those stock plans will become immediately exercisable upon consummation of the Blockbuster Merger. However, Viacom and Blockbuster have agreed to use their best efforts to secure from each executive of Blockbuster who enters into an employment agreement with Blockbuster an agreement that such executive will waive such acceleration of exercisability, which waiver will lapse (resulting in the executive's options becoming immediately exercisable if they have not already done so in accordance with the applicable vesting schedule) upon a termination of the executive's employment for any reason.

Under the Blockbuster Merger Agreement, Blockbuster has the right to adopt one or more additional stock option plans covering up to an additional 4,500,000 shares of Blockbuster Common Stock. On February 7, 1994, the Board of Directors of Blockbuster adopted, subject to stockholder approval, Blockbuster's 1994 Stock Option Plan and an amendment to Blockbuster's 1991 Non-employee Director Stock Option Plan.

At March 3, 1994, 3,488,859 shares of Blockbuster Common Stock were subject to warrants held beneficially by employees or directors of Blockbuster. Warrants held by employees or directors of Blockbuster will be converted into Viacom warrants on the same terms and conditions except that each such warrant will be exercisable for (A) that number of whole shares of (i) Viacom Class A Common Stock equal to the product of the number of shares of Blockbuster Common Stock covered by such Blockbuster warrant multiplied by 0.08 and (ii) Viacom Class B Common Stock equal to the product of the number of shares of Blockbuster Common Stock covered by such Blockbuster warrant multiplied by 0.60615 and (B) that number of VCRs equal to the number of shares of Blockbuster Common Stock covered by such Blockbuster warrant (or, on or after the VCR Conversion Date, the number of shares of Viacom Class B Common Stock (if any) into which the VCRs were converted). Warrants of Blockbuster Common Stock which are not held by employees or directors of Blockbuster will be treated in accordance with their terms.

CERTAIN CONSIDERATIONS

Stockholders of Viacom and Paramount should consider carefully all of the information contained in this Proxy Statement/Prospectus and, in particular, the following:

Financial Terms of the Offer and the Paramount Merger. Smith Barney has delivered its opinion to the Board of Directors of Viacom that, as of February 1, 1994, the financial terms of the Offer and the Paramount Merger, taken together, were fair, from a financial point of view, to Viacom and its stockholders, whether or not the Blockbuster Merger is consummated. Lazard Freres has delivered its opinion to the Board of Directors of Paramount that, as of February 4, 1994 (i) the Viacom Transaction Consideration was fair to the holders of Paramount Common Stock from a financial point of view, (ii) the QVC Transaction Consideration was fair to the holders of Paramount Common Stock from a financial point of view and (iii) the Viacom Transaction Consideration was marginally superior to the QVC Transaction Consideration from a financial point of view. However, no assurances can be given with respect to the prices at which the Viacom Class B Common Stock will trade after the date hereof or after the Paramount Effective Time or the prices at which the Viacom Merger Debentures (or, if issued, the Series C Preferred Stock and the Viacom Exchange Debentures), the CVRs and the Viacom Warrants will trade after the Paramount Effective Time. There has been no public trading market for the Viacom Merger Debentures, CVRs or Viacom Warrants and there can be no assurances that an active market for such securities will develop or continue after the Paramount Merger.

Controlling Stockholder. Immediately after completion of the Paramount Merger and before the completion of the Blockbuster Merger, NAI (which is controlled by Sumner M. Redstone) will own approximately 85% of the voting stock and 46% of the total (voting and non-voting) common stock of Viacom. Immediately after completion of the Mergers, NAI will own approximately 62% of the voting stock and approximately 25% of the total (voting and non-voting) common stock of Viacom. As such, Mr. Redstone will be in a position to control the election of the Board of Directors as well as the direction and future operations of Viacom (although certain provisions of the Paramount Merger Agreement and the Blockbuster Merger Agreement restrict the ability of certain large stockholders from engaging in going private transactions). See "The Paramount Merger--Ownership of Viacom Common Stock After the Mergers" and "Certain Provisions of the Paramount Merger Agreement--Restrictions On Going Private Transactions."

Total Indebtedness and Certain Refinancing. Viacom anticipates that, following the Mergers, the combined company will have outstanding total indebtedness of approximately $10.0 billion ($8.0 billion if the Blockbuster Merger is not consummated) and 5% Viacom Preferred Stock with a liquidation preference of $1.2 billion ($1.8 billion if the Blockbuster Merger is not consummated). Of such $10.0 billion, $3.7 billion was borrowed under Viacom's Credit Agreement and must be repaid by November 18, 1994. In addition, the $1.0 billion borrowed under the New Blockbuster Facility must be repaid by February 14, 1995 and both the New Blockbuster Facility and the Blockbuster Credit Agreement contain certain covenants and events of default, including a change of control default, which will require either a waiver in connection with the Blockbuster Merger or the refinancing of the indebtedness incurred under such facilities prior to the Blockbuster Merger.

Accordingly, assuming consummation of the Blockbuster Merger, the foregoing facilities, together with other current maturities, may require Viacom to refinance up to $5.7 billion ($4.0 billion if the Blockbuster Merger is not consummated) within the next six months. During May 1994, Viacom received commitments from a syndicate of financial institutions for a new long-term $6.8 billion credit facility. The new facility will have scheduled maturities commencing December 1996 and a final maturity of July 2002. The new Viacom facility will refinance existing bank indebtedness at Viacom, Viacom International and Paramount and will be available for general corporate purposes.

On May 5, 1994, Viacom, Viacom International and Paramount filed a shelf registration statement with the Commission registering $3 billion of debt securities and preferred stock, guaranteed by Viacom International and, after the Paramount Effective Time, Paramount. Some or all of the securities may be issued in one or more offerings.

Although Viacom expects that it will be able to refinance its indebtedness and meet its obligations without the need to sell any assets, Viacom is continuing to review opportunities for the sale of non-strategic assets as such opportunities may arise, including the exploration of the sale of the operations of Madison Square Garden and certain non-core publishing assets. Viacom cannot predict what obligations, if any, it will have in connection with the exercise of appraisal rights by Paramount stockholders nor has it determined the method(s) it may use to finance any such cash obligations. See "Dissenting Stockholders' Rights of Appraisal."

Changing Competitive Environment. The entertainment and telecommunications industries of which the combined company will be a part are rapidly changing as a result of evolving distribution technologies, particularly the advent of digital compression, and related ongoing and anticipated changes to regulation of the communications industry. The future success of the combined company will be affected by such changes, the nature of which cannot be forecast with certainty. Although management believes that such technological developments are likely to enhance the value of the combined company's entertainment properties and trademarks, there can be no assurance that such developments will not limit the combined company's access to certain distribution channels or create additional competitive pressures on some or all of the combined company's businesses.

Combining the Companies. Viacom, Paramount and Blockbuster are large, diversified enterprises, with operations and sales worldwide. Although management of the companies believe that their respective operations are complementary and that, assuming approval by the stockholders of Blockbuster, integration of the companies will be accomplished promptly and without substantial difficulty, there can be no assurance that future results will improve as a result of the Mergers. If the Mergers are consummated, the combined company, on a pro forma basis, will be substantially more leveraged than any of Paramount, Viacom or Blockbuster immediately prior to the Mergers. See "Unaudited Pro Forma Combined Condensed Financial Statements."

Consummation of the Blockbuster Merger. Although Viacom and Blockbuster have entered into the Blockbuster Merger Agreement and Viacom has the right to vote the Blockbuster Proxy Shares, representing approximately 22.3% of the outstanding shares of Blockbuster Common Stock as of January 7, 1994, the Blockbuster Merger remains subject to stockholder approval. As such, there can be no assurance that the Blockbuster Merger will be consummated. In considering the Mergers, the Viacom Board of Directors concluded that, even without Blockbuster, the combination of Viacom with Paramount could be financed on a reasonable basis and would result in all of the benefits described under "Special Factors--Reasons for the Paramount Merger; Recommendations of the Board of Directors; Fairness of the Transaction."

In a letter to stockholders dated May 4, 1994, H. Wayne Huizenga, the Chairman of the Board of Blockbuster, stated that, although Blockbuster continues to believe that the combination of Blockbuster with Viacom and Paramount represents an excellent strategic opportunity, given Viacom's stock prices as of the date of his letter, there could be no assurance that the Blockbuster Board would be able to recommend the Blockbuster Merger Agreement to the Blockbuster stockholders at the time of any stockholder meeting called to vote on the Blockbuster Merger. Mr. Huizenga also stated, among other things, that Blockbuster was unable to say whether or not the Blockbuster Merger would go forward or whether or not any special meeting of Blockbuster stockholders would be called to vote on the Blockbuster Merger.

AMENDMENTS TO THE RESTATED CERTIFICATE OF INCORPORATION OF VIACOM

Viacom's Board of Directors is proposing to amend Viacom's Restated Certificate of Incorporation to (i) increase the number of shares of Viacom Class A Common Stock authorized to be issued from 100 million to 200 million, (ii) increase the number of shares of Viacom Class B Common Stock authorized to be issued from 150 million to one billion, (iii) increase the number of shares of the preferred stock of Viacom authorized to be issued from 100 million to 200 million and (iv) increase the maximum number of directors constituting the Board of Directors of Viacom from 12 to 20. The form of such amendment to the Viacom Restated Certificate of Incorporation is included in the Form of Certificate of Amendment, a copy of which is attached as Annex VII to this Proxy Statement/Prospectus.

The additional shares of Viacom Class A Common Stock, Viacom Class B Common Stock and preferred stock of Viacom to be authorized would be available not only to consummate the Paramount Merger, but also for possible future financing and acquisition transactions, stock dividends or splits and other corporate purposes. The additional shares of Viacom Class A Common Stock, Viacom Class B Common Stock and preferred stock of Viacom would be available for issuance without further action by the stockholders of Viacom unless such action is required by applicable law or the rules of the AMEX, on which the issued shares of Viacom Class A Common Stock and Viacom Class B Common Stock are listed. The AMEX requires stockholder approval as a prerequisite to listing shares in certain instances, including in connection with acquisition transactions where the present or potential issuance of shares could result in an increase in the number of shares of common stock outstanding by 20% or more.

On May 31, 1994 there were 53,449,525 issued and outstanding shares of Viacom Class A Common Stock and 90,083,779 issued and outstanding shares of Viacom Class B Common Stock. As of May 31, 1994, there were 61,135,478 outstanding shares of Paramount Common Stock not owned by Viacom. Based on this number, 56,895,733 shares of Viacom Class B Common Stock will be issued in the Paramount Merger at the Paramount Effective Time. On May 10, 1994, there were 249,063,868 shares of Blockbuster Common Stock outstanding. Based on this number, 19,925,109 shares of Viacom Class A Common Stock and 150,970,063 shares of Viacom Class B Common Stock will be issued in connection with the Blockbuster Merger at the Blockbuster Effective Time. Accordingly, 126,625,372 shares of Viacom Class A Common Stock and 702,050,425 shares of Viacom Class B Common Stock will be authorized but unissued immediately following the Mergers. For further information regarding Viacom Common Stock, see "Description of Viacom Capital Stock" and "Capitalization."

AMENDMENT TO THE CERTIFICATE OF INCORPORATION AND BY-LAWS OF PARAMOUNT

Upon consummation of the Paramount Merger, the Certificate of Incorporation and By-Laws of Paramount shall be amended in their entirety to read as the Certificate of Incorporation and By-Laws of the Merger Subsidiary. The form of the proposed amendment to the Certificate of Incorporation of Paramount is included in the Form of Certificate of Merger for the Paramount Merger, a copy of which is attached as Annex VI to this Proxy Statement/Prospectus.

MANAGEMENT BEFORE AND AFTER THE MERGERS

EXECUTIVE OFFICERS AND DIRECTORS OF VIACOM

GEORGE S. ABRAMS, see "Viacom Annual Meeting Matters--Election of Directors."

FRANK J. BIONDI, JR., see "Viacom Annual Meeting Matters--Election of Directors."

RAYMOND A. BOYCE, Senior Vice President, Corporate Relations of Viacom and Viacom International, 58. Mr. Boyce assumed his present position in 1988. Prior to that, he served as Vice President, Public Relations of the Entertainment Business Sector of The Coca-Cola Company from 1982 to 1987. In 1979, Mr. Boyce joined Columbia Pictures Industries, Inc. and served first as Director, Corporate

Communications and later as Vice President, Corporate Communications until The Coca-Cola Company's acquisition of Columbia Pictures Industries, Inc. in 1982.

VAUGHN A. CLARKE, Vice President, Treasurer of Viacom and Viacom International, 40. Mr. Clarke assumed his present position 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.

PHILIPPE P. DAUMAN, see "Viacom Annual Meeting Matters--Election of Directors."

THOMAS E. DOOLEY, Executive Vice President, Finance, Corporate Development and Communications of Viacom, Viacom International and Paramount, 37. Mr. Dooley was elected to his present position in March 1994. From July 1992 to March 1994, he served as Senior Vice President, Corporate Development of Viacom and Viacom International. From August 1993 to March 1994, he also served as President, Interactive Television of Viacom International. Prior to that, he served as Vice President, Treasurer of Viacom and Viacom International since 1987. In December 1990, he was named Vice President, Finance of Viacom and Viacom International. Mr. Dooley joined Viacom International in 1980 in the corporate finance area and held various positions in the corporate and divisional finance areas, including Director of Business Analysis from 1985 to 1986.

WILLIAM C. FERGUSON, see "Viacom Annual Meeting Matters--Election of Directors."

MICHAEL D. FRICKLAS, Senior Vice President, Deputy General Counsel of Viacom, Viacom International and Paramount, 34. Mr. Fricklas was elected to his present position with Viacom and Viacom International in March 1994 and with Paramount in April 1994. From July 1993 to March 1994, he served as Vice President, Deputy General Counsel of Viacom and Viacom International. 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.

JOHN W. GODDARD, Senior Vice President of Viacom and Viacom International and President, Chief Executive Officer of Viacom Cable, 52. Mr. Goddard was elected Senior Vice President of Viacom in November 1987 and Senior Vice President of Viacom International and President, Chief Executive Officer of Viacom Cable Television in September 1983. In August 1980, Mr. Goddard was appointed President of Viacom Cable and, in September 1980, he was elected Vice President of Viacom International. From September 1978 through July 1980, Mr. Goddard was Executive Vice President, Viacom Communications. From June 1971 until September 1978, Mr. Goddard was President and General Manager of Tele-Vue Systems, a subsidiary of Viacom International.

EDWARD D. HOROWITZ, Senior Vice President, Technology of Viacom and Viacom International and Chairman, Chief Executive Officer of New Media and Interactive Television, 46. Mr. Horowitz became Senior Vice President in April 1989 and served as Chairman, Chief Executive Officer of Viacom Broadcasting from July 1992 to March 1994. He was elected to his present positions in March 1994. From 1974 to April 1989, Mr. Horowitz held various positions with Home Box Office, most recently as Senior Vice President, Technology and Operations. Prior to that, he held several other management positions with Home Box Office, including Senior Vice President, Network Operations and New Business Development and Vice President, Affiliate Sales.

H. WAYNE HUIZENGA, see "Viacom Annual Meeting Matters--Election of Directors."

KEVIN C. LAVAN, Vice President, Controller and Chief Accounting Officer of Viacom and Viacom International, 41. Mr. Lavan was elected Vice President of Viacom and Viacom International in May 1989. He was elected Controller, Chief Accounting Officer of Viacom and Viacom International in December 1987. In December 1990, he assumed the added responsibilities of oversight of tax matters. From 1991 to 1992, he also served as Senior Vice President, Chief Financial Officer of Viacom Pictures. Mr. Lavan joined Viacom International in 1984 as Assistant Controller.

HENRY J. LEINGANG, Senior Vice President, Chief Information Officer of Viacom and Viacom International, 44. Mr. Leingang was elected to his present position in May 1993. Prior to that, he served

as Vice President, Chief Information Officer when he joined Viacom in 1990. Mr. Leingang was Vice President, Information Services of the Trian Group (formerly Triangle Industries) from 1984 to 1990. From 1982 to 1984, he served as Corporate Director, MIS, and Manager, MIS Planning and Control for Interpace Corporation. Prior to that, he held positions with Touche Ross & Company, McGraw-Hill Book Company and General Electric Credit Corp.

KEN MILLER, see "Viacom Annual Meeting Matters--Election of Directors."

BRENT D. REDSTONE, see "Viacom Annual Meeting Matters--Election of Directors."

SUMNER M. REDSTONE, see "Viacom Annual Meeting Matters--Election of Directors."

WILLIAM A. ROSKIN, Senior Vice President, Human Resources and Administration of Viacom and Viacom International, 51. Mr. Roskin was elected to his present position in July 1992. Prior to that, he served as Vice President, Human Resources and Administration of Viacom and Viacom International from April 1988. 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, serving most recently as Vice President, Industrial and Labor Relations.

FREDERIC V. SALERNO, see "Viacom Annual Meeting Matters--Election of Directors."

WILLIAM SCHWARTZ, see "Viacom Annual Meeting Matters--Election of Directors."

GEORGE S. SMITH, JR., Senior Vice President, Chief Financial Officer of Viacom, Viacom International and Paramount, 45. Mr. Smith was elected to his present position with Viacom and Viacom International in November 1987 and with Paramount in April 1994. In May 1985, Mr. Smith was elected Vice President, Controller of Viacom International. 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 Viacom International in 1977 in the Corporate Treasurer's office and until 1981 served in various financial planning capacities.

MARK M. WEINSTEIN, Senior Vice President, Government Affairs of Viacom and Viacom International, 51. Mr. Weinstein was elected to his present position with Viacom and Viacom International in February 1993. Prior to that, Mr. Weinstein served as Senior Vice President, General Counsel and Secretary of Viacom and Viacom International beginning in the fall of 1987. In January 1986, Mr. Weinstein was appointed Vice President, General Counsel of Viacom International. From 1976 through 1985, he was Deputy General Counsel of Warner Communications 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.

EXECUTIVE OFFICERS AND DIRECTORS OF PARAMOUNT

GEORGE S. ABRAMS, see "Viacom Annual Meeting Matters--Election of Directors."

FRANK J. BIONDI, JR., see "Viacom Annual Meeting Matters--Election of Directors."

PHILIPPE P. DAUMAN, see "Viacom Annual Meeting Matters--Election of Directors."

MARTIN S. DAVIS, Director of Paramount, 67. Mr. Davis was elected a Director of Paramount in 1967. Mr. Davis is the President of Wellspring Associates Inc., a private investment company. He assumed this position in April 1994. Mr. Davis, who became a corporate officer of Paramount in 1969, served as Chairman from 1983 to April 1994 and as Chairman and Chief Executive Officer of Paramount from 1983 to March 1994. He is a member of the Board of Trustees of Montefiore Medical Center and is Chairman of the Board of Trustees of the New York City Chapter of the National Multiple Sclerosis Society. Mr. Davis is also a member of the FCC's Advisory Committee on Advanced Television Service.

WILLIAM C. FERGUSON, see "Viacom Annual Meeting Matters--Election of Directors."

IRVING R. FISCHER, Director of Paramount, 61. Mr. Fischer was elected a Director of Paramount in 1984 and is a member of the Audit Committee. Mr. Fischer is Chairman and Chief Executive Officer of HRH Construction Corporation. Mr. Fischer joined HRH Construction Corporation in 1956 and assumed his present position in 1981. Mr. Fischer is Vice Chairman of the New York City Chapter of the National Multiple Sclerosis Society and a member of the New York City Holocaust Memorial Commission. He is an Adjunct Professor of Urban Planning, Columbia University.

H. WAYNE HUIZENGA, see "Viacom Annual Meeting Matters--Election of Directors."

KEN MILLER, see "Viacom Annual Meeting Matters--Election of Directors."

RONALD L. NELSON, Director of Paramount, 41. Mr. Nelson was elected a Director of Paramount in 1992. Mr. Nelson served as Executive Vice President and Chief Financial Officer of Paramount from 1990 to March 1994 after having served as Senior Vice President and Chief Financial Officer since 1987. From 1979 to 1987, he held various operating and financial positions with Paramount Communications Entertainment Group and Paramount Pictures. Mr. Nelson is a member of the New York Chapter of Financial Executives Institute and serves on its CFO Advisory Board.

DONALD ORESMAN, Director of Paramount, 68. Mr. Oresman was elected a Director of Paramount in 1976. He is Executive Vice President of Wellspring Associates Inc. Mr Oresman assumed this position in April 1994. Mr. Oresman served as Executive Vice President and General Counsel of Paramount from 1983 to March 1994 and as Chief Administrative Officer from 1987 to March 1994. Mr. Oresman practiced law with Simpson Thacher & Bartlett, attorneys, from 1957 until he joined Paramount in December 1983. He is a Director of North American Watch Corporation, a Trustee of The New York Landmarks Conservancy, and a Councilor of the American Antiquarian Society.

JAMES A. PATTISON, Director of Paramount, 65. Mr. Pattison was elected a Director of Paramount in 1988 and is a member of Paramount's Audit Committee. Mr. Pattison is Chairman and Chief Executive Officer of The Jim Pattison Group. The Jim Pattison Group is a diversified company with operations in communications, automotive services, food products, packaging and financial services. Mr. Pattison founded the company in 1961 and has been its Chief Executive Officer since then. In 1986, Mr. Pattison served as President and Chairman of Expo '86, the World's Fair held in Vancouver, B.C. In 1986, he was made an officer of the Order of Canada. He is a Director of the Toronto-Dominion Bank and Canadian Pacific Ltd.

BRENT D. REDSTONE, see "Viacom Annual Meeting Matters--Election of Directors."

SUMNER M. REDSTONE, see "Viacom Annual Meeting Matters--Election of Directors."

FREDERIC V. SALERNO, see "Viacom Annual Meeting Matters--Election of Directors."

WILLIAM SCHWARTZ, see "Viacom Annual Meeting Matters--Election of Directors."

The names, business experience for the past five years and ages as of May 23, 1994 of all executive officers (who are not Directors) are listed below:

THOMAS E. DOOLEY, see "--Executive Officers and Directors of Viacom."

MICHAEL D. FRICKLAS, see "--Executive Officers and Directors of Viacom."

ROBERT C. GREENBERG, Senior Vice President, Human Resources of Paramount, 36. Mr. Greenberg assumed his present position in 1993. Prior to that, he was a principal with the consulting firm of Towers Perrin.

RUDOLPH L. HERTLEIN, Senior Vice President and Controller of Paramount, 53. Mr. Hertlein assumed his present position in 1993. Prior to that, he served as Senior Vice President, Internal Audit and Special Projects since 1992 and, before that, as Vice President, Internal Audit and Special Projects.

LAWRENCE E. LEVINSON, Senior Vice President, Government Relations of Paramount, 63.

GEORGE S. SMITH, JR., see "--Executive Officers and Directors of Viacom."

The term of office of all directors is until the next annual meeting and the term of office of all officers is for one year and until their successors are chosen and qualify.

MANAGEMENT AFTER THE MERGERS

Upon the completion of the Mergers, Sumner M. Redstone, currently the Chairman of the Board of Viacom and Paramount, will continue as Chairman of the Board of the combined company. Assuming consummation of the Blockbuster Merger, H. Wayne Huizenga, currently the Chairman of the Board and Chief Executive Officer of Blockbuster and a Director of Viacom and Paramount, will become Vice Chairman of the combined company. Frank J. Biondi, Jr., currently President, Chief Executive Officer and Director of Viacom and Paramount, will remain President, Chief Executive Officer of the combined company. For a discussion of the Board of Directors of the combined company, see "Viacom Annual Meeting Matters--Election of Directors."

FINANCIAL MATTERS AFTER THE MERGERS

ACCOUNTING TREATMENT

The Mergers will be accounted for by Viacom under the "purchase" method of accounting in accordance with generally accepted accounting principles. Therefore, the aggregate consideration paid by Viacom in connection with the Mergers will be allocated to Paramount's assets and liabilities or Blockbuster's assets and liabilities, as the case may be, based on their fair values with any excess being treated as goodwill. As is the case with all of Viacom's long-term assets and liabilities, Viacom will perform periodic reviews of the goodwill arising from the Mergers to ensure that this goodwill is carried at the lower of cost or market in light of current business conditions.

The assets and liabilities and results of operations of Paramount (adjusted for minority ownership interests from the date of the purchase of the shares of Paramount Common Stock pursuant to the Offer through the Paramount Effective Time) were consolidated into the assets and liabilities and results of operations of Viacom as of March 1, 1994. The assets and liabilities and results of operations of Blockbuster will be consolidated into the assets and liabilities and results of operations of Viacom subsequent to the Blockbuster Effective Time.

COMMON STOCK DIVIDEND POLICY AFTER THE PARAMOUNT MERGER AND THE MERGERS

It is the current intention of the Viacom Board not to pay cash dividends on the Viacom Class A Common Stock or Viacom Class B Common Stock following the Paramount Merger and the Mergers. Future dividends will be determined by Viacom's Board of Directors in light of Viacom's alternative opportunities for investment and the earnings and financial condition of Viacom and its subsidiaries, among other factors.

CAPITALIZATION
(DOLLARS IN MILLIONS)

The following table sets forth the historical capitalization of Viacom, Blockbuster and Paramount and the pro forma capitalization of the combined company after giving effect to the Pro Forma Events.

	HISTORICAL		PRO FORMA	
	VIACOM MARCH 31, 1994	BLOCKBUSTER MARCH 31, 1994	VIACOM-PARAMOUNT MARCH 31, 1994	PRO FORMA COMBINED COMPANY(f)
Total debt:				
Current maturities	$ 39.1	$ 1,000.0	$ 39.1	$ 39.1
Due after one year:				
Senior	6,597.4	997.0	6,392.4	8,389.4
Senior subordinated	450.0	--	450.0	450.0
Subordinated	180.6	--	1,250.5(b)	1,250.5(b)
Due after one year	7,228.0	997.0	8,092.9	10,089.9
Total debt, including current maturities	7,267.1	1,997.0	8,132.0	10,129.0
Stockholders' equity:				
Preferred	1,800.0	--	1,800.0	1,200.0(c)
Common	1,710.4(a)	1,854.3	3,708.3(d)	8,471.0(e)
Total stockholders' equity	3,510.4	1,854.3	5,508.3	9,671.0
Total capitalization	$ 10,777.5	$ 3,851.3	$ 13,640.3	$ 19,800.0

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(a) On March 31, 1994, there were 53,449,525 outstanding shares of Viacom Class A Common Stock (100,000,000 shares authorized) and 90,078,203 outstanding shares of Viacom Class B Common Stock (150,000,000 shares authorized); there were approximately 223,460 unissued shares of Viacom Class A Common Stock and 29,408,859 unissued shares of Viacom Class B Common Stock reserved principally for exercise of stock options granted under the Viacom Long-Term Incentive Plan and conversion of Viacom Preferred Stock.

(b) The pro forma debt capitalization reflects the issuance of approximately $1.1 billion of Viacom Merger Debentures in connection with the Paramount Merger.

(c) The pro forma preferred equity capitalization reflects the assumed cancellation of $600 million of Series A Preferred Stock upon consummation of the Blockbuster Merger. The proceeds of the sale of Viacom Preferred Stock have been used to finance a portion of the cash paid in the Offer.

(d) The pro forma common equity capitalization reflects the assumed conversion of the Paramount Common Stock not then owned by Viacom into the Paramount Merger Consideration.

(e) The pro forma common equity capitalization reflects (i) the assumed conversion of Blockbuster Common Stock into the Blockbuster Merger Consideration and (ii) the assumed cancellation of $1.25 billion of Viacom Class B Common Stock held by Blockbuster in consolidation as a result of the assumed Blockbuster Merger.

(f) See "Certain Considerations--Consummation of the Blockbuster Merger."

The following unaudited pro forma combined condensed balance sheet at March 31, 1994 gives effect to the completion of the Paramount Merger and the Blockbuster Merger as if these events had occurred on such date, and was prepared based upon the balance sheet of Viacom and Blockbuster at March 31, 1994. Balance sheet information for Paramount at March 31, 1994 is consolidated in Viacom's historical balance sheet. Viacom's balance sheet also contains pro forma adjustments for the sale of Viacom's one third partnership interest in LIFETIME. (See Note 1 herein).

The following unaudited pro forma combined condensed statements of operations for the three months ended March 31, 1994 and for the year ended December 31, 1993 give effect to the completion of the Offer, the Paramount Merger, the Blockbuster Merger, the issuance of Viacom Preferred Stock and the sale of Viacom's one third partnership interest in LIFETIME as if they had occurred simultaneously at the beginning of each period presented. The unaudited pro forma combined condensed statement of operations for the three months ended March 31, 1994 was prepared based upon the statements of operations of Viacom and Blockbuster for the three months ended March 31, 1994 and of Paramount for the two months ended February 28, 1994. The unaudited pro forma combined condensed statement of operations for the year ended December 31, 1993 was prepared based upon the statement of operations of Viacom and Blockbuster for the year ended December 31, 1993 and of Paramount for the nine months ended January 31, 1994 and three months ended April 30, 1993 combined. Financial information for Paramount subsequent to the Offer is included in the Viacom historical information. Paramount's historical results of operations for January 1994 are included in the unaudited pro forma statements of operations for the three months ended March 31, 1994 and year ended December 31, 1993. Revenues and earnings from operations for the month of January 1994 were $394 million and $38.7 million, respectively. These unaudited pro forma combined condensed financial statements should be read in conjunction with the audited financial statements, including the notes thereto, of Viacom and Blockbuster and the audited financial statements and the unaudited interim financial statements, including the notes thereto, of Paramount, which are incorporated by reference in this Proxy Statement/Prospectus. See "Incorporation of Certain Documents by Reference."

The unaudited pro forma data are not necessarily indicative of the results of operations or financial position of Viacom-Paramount or the combined company that would have occurred if the completion of the Offer, the Paramount Merger and the Blockbuster Merger had occurred at the beginning of the period or the date indicated, nor are they necessarily indicative of future operating results or financial position.

The pro forma adjustments are based upon available information and certain assumptions set forth herein, including the notes to the unaudited pro forma combined condensed financial statements, which Viacom, Paramount and Blockbuster believe are reasonable under the circumstances. The pro forma adjustments reflect the Paramount Merger Consideration and the Blockbuster Merger Consideration (see "Notes 2 and 3", respectively). The Paramount and Blockbuster historical information have been adjusted for certain acquisitions, and certain significant transactions which have occurred or which may occur (see Paramount and Blockbuster Unaudited Pro Forma Condensed Consolidated Information.)

Both the Paramount Merger and the Blockbuster Merger will be accounted for by the purchase method of accounting. Accordingly, Viacom's cost to acquire Paramount and Blockbuster, calculated to be approximately $10.0 billion and $5.7 billion, respectively, as of March 31, 1994, will be allocated to the assets and liabilities acquired according to their respective fair values with the excess to goodwill. Viacom's cost to acquire Paramount and Blockbuster pursuant to the respective merger agreements is subject to change based primarily upon the market value of Viacom Common Stock at the time of the respective mergers. A change in the fair market value of Viacom Common Stock will result in a corresponding change in the excess of unallocated acquisition cost over the net assets acquired and the

related amortization thereof. The valuations and other studies, which will provide the basis for such an allocation, have not yet progressed to a stage where there is sufficient information to make an allocation in the accompanying unaudited pro forma combined condensed financial statements. Accordingly, the purchase accounting adjustments made in connection with the development of the unaudited pro forma combined condensed financial information are preliminary and have been made solely for the purposes of developing such unaudited pro forma combined condensed financial information. For the Paramount Merger, the approximate $6.0 billion pro forma excess of unallocated acquisition costs as of March 31, 1994 is being amortized over 40 years at a rate of $149.0 million per year. For the Blockbuster Merger, the approximate $3.8 billion pro forma excess of unallocated acquisition costs as of March 31, 1994 is also being amortized over 40 years at a rate of $95.4 million per year. Such amortization period is based on Viacom's belief that the combined company has substantial potential for achieving long-term appreciation as a fully integrated, global entertainment and communications company. The Mergers will permit the continued expansion of current lines of business, as well as the development of new businesses, via the cross-promotion of the well known franchises, trademarks and products of Viacom, Blockbuster and Paramount. Additionally, the combined company will have enhanced and complimentary product distribution capabilities which can be used to strategically exploit its franchise trademarks and products on an accelerated basis. Viacom believes that the combined company will benefit from the Mergers for an indeterminable period of time of at least 40 years, and, therefore, a 40 year amortization period is appropriate.

As is the case with all of Viacom's long-term assets and liabilities, Viacom will perform periodic reviews of the goodwill arising from the Mergers to ensure that this goodwill is carried at the lower of cost or market in light of current business conditions.

After the consummation of the Mergers, Viacom will arrange for independent appraisal of the significant assets, liabilities and business operations of Paramount and Blockbuster. Using this information, Viacom will make a final allocation of the excess purchase price, including allocation to intangibles other than goodwill. Viacom believes that any significant allocation of excess purchase price to intangibles will be amortized over 40 years, and so any such allocation would not cause a material difference in pro forma results.

The future results of operations of the combined company will reflect increased amortization of goodwill (see notes 5b and 6b), increased interest expense (see note 5c), and increased preferred stock dividend requirements as described in note 4d. The following unaudited pro forma combined condensed statement of operations does not reflect potential cost savings attributable to consolidation of certain operating and administrative functions including the elimination of duplicate facilities and personnel. The future financial position of the combined company will reflect increased goodwill as described above, increased long-term debt as described in notes 2b and 3c, and increased common stockholders' equity resulting from the issuance of Viacom Common Stock to stockholders of Paramount and Blockbuster.

See also "Certain Considerations--Consummation of the Blockbuster Merger."

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
MARCH 31, 1994
VIACOM-PARAMOUNT/COMBINED COMPANY
(IN MILLIONS)

	VIACOM							
	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA	PARAMOUNT MERGER ADJUSTMENTS	VIACOM/ PARAMOUNT COMBINED	HISTORICAL BLOCKBUSTER	BLOCKBUSTER MERGER ADJUSTMENTS	COMBINED COMPANY*
ASSETS								
Cash & short term investments	$ 446.2		$ 446.2		$ 446.2	$ 77.2	$ (30.0)(3a)	$ 493.4
Other current assets	3,247.0		3,247.0	$ 61.4(5a)	3,308.4	632.7		3,941.1
Total current assets	3,693.2		3,693.2	61.4	3,754.6	709.9	(30.0)	4,434.5
Property and equipment, net	1,801.8		1,801.8	11.6(5a)	1,813.4	570.7		2,384.1
Intangible assets, at amortized cost	8,057.8		8,057.8	1,295.4(2c)	9,353.2	863.5	3,817.0(3a)	14,033.7
Investments in Viacom, Inc.						1,478.6	(1,478.6)(3b)	
Other assets	2,783.4	$ (49.9)(1a)	2,733.5	233.4(5a)	2,966.9	844.0		3,810.9
	$16,336.2	$ (49.9)	$16,286.3	$ 1,601.8	$ 17,888.1	$ 4,466.7	$ 2,308.4	$24,663.2
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities	$ 3,345.5		$ 3,345.5	$ (22.6)(5a)	$ 3,322.9	$ 1,464.1	$(1,000.0)(3c)	$ 3,787.0
Long-term debt	7,228.0	$ (205.0)(1b)	7,023.0	1,069.9(2b)	8,092.9	997.0	1,000.0(3c)	10,089.9
Other liabilities	967.1		967.1	(3.1)(5a)	964.0	151.3		1,115.3
Minority interest in Paramount	1,285.2		1,285.2	(1,285.2)				
Stockholders' equity:								
Preferred	1,800.0		1,800.0		1,800.0		(600.0)(3b)	1,200.0
Common	1,710.4	155.1(1)	1,865.5	1,842.8(2,5a)	3,708.3	1,854.3	2,908.4(3a,b)	8,471.0
Total stockholders' equity	3,510.4	155.1	3,665.5	1,842.8	5,508.3	1,854.3	2,308.4	9,671.0
	$16,336.2	$ (49.9)	$16,286.3	$ 1,601.8	$ 17,888.1	$ 4,466.7	$ 2,308.4	$24,663.2

See notes to unaudited pro forma combined condensed financial statements.

*See "Certain Considerations--Consummation of the Blockbuster Merger."

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1994
VIACOM-PARAMOUNT/COMBINED COMPANY
(IN MILLIONS, EXCEPT PER SHARE DATA)

	VIACOM	VIACOM PRO FORMA ADJUSTMENTS	VIACOM PRO FORMA	PRO FORMA PARAMOUNT*	PARAMOUNT MERGER ADJUSTMENTS	VIACOM/ PARAMOUNT COMBINED	PRO FORMA BLOCKBUSTER**
Revenues	$ 878.4		$ 878.4	$ 717.2		$ 1,595.6	$ 696.5
Expenses							
Operating	820.3		820.3	562.2	$(297.9)(5a)	1,084.6	513.3
Selling, general and administrative	298.5		298.5	192.6	(34.2)(5a)	456.9	63.6
Depreciation and amortization	59.8		59.8	16.7	26.1(5b)	102.6	
Total expenses	1,178.6		1,178.6	771.5	(306.0)	1,644.1	576.9
Earnings (loss) from operations	(300.2)		(300.2)	(54.3)	306.0	(48.5)	119.6
Interest expense	(47.3)	2.4	(44.9)	(17.1)	(65.9)(5c)	(127.9)	(22.0)
Interest and other investment income				8.2		8.2	1.4
Other items, net(7)	(4.8)		(4.8)	(21.3)	27.2(5a)	1.1	5.8
Total other income (expense)	(52.1)	2.4	(49.7)	(30.2)	(38.7)	(118.6)	(14.8)
Earnings (loss) before income taxes	(352.3)	2.4	(349.9)	(84.5)	267.3	(167.1)	104.8
Provision for income taxes	95.1	.8	95.9	(28.8)	102.5(5d)	169.6	38.8
Equity in earnings (loss) of affiliated companies, net of tax	3.5	(4.5)	(1.0)			(1.0)	
Minority interest	12.3		12.3		(12.3)		
Earnings (loss) before extraordinary item, cumulative effect of change in accounting principle and preferred stock dividend requirements	(431.6)	(2.9)	(434.5)	(55.7)	152.5	(337.7)	66.0
Preferred stock dividend requirements	22.5		22.5			22.5	
Earnings (loss) attributable to common stock before extraordinary item and cumulative effect of change in accounting principle	$ (454.1)	$ (2.9)	$ (457.0)	$ (55.7)	$ 152.5	$ (360.2)	$ 66.0
Weighted average number of common shares or common shares and common share equivalents	126.4	17.4			56.9	200.7	
Earnings (loss) per common share before extraordinary item and cumulative effect of change in accounting principle	$ (3.59)					$ (1.79)	

	BLOCKBUSTER MERGER ADJUSTMENTS	COMBINED COMPANY***
Revenues		$ 2,292.1
Expenses		
Operating	$ (117.5)(6a)	1,480.4
Selling, general and administrative		520.5
Depreciation and amortization	23.9(6b)	244.0
	117.5(6a)	
Total expenses	23.9	2,244.9
Earnings (loss) from operations	(23.9)	47.2
Interest expense		(149.9)
Interest and other investment income		9.6
Other items, net(7)	(7.5)(6c)	(0.6)
Total other income (expense)	(7.5)	(140.9)
Earnings (loss) before income taxes	(31.4)	(93.7)
Provision for income taxes	(2.7)(6d)	205.7
Equity in earnings (loss) of affiliated companies, net of tax		(1.0)
Minority interest		
Earnings (loss) before extraordinary item, cumulative effect of change in accounting principle and preferred stock dividend requirements	(28.7)	(300.4)
Preferred stock dividend requirements	(7.5)(6c)	15.0
Earnings (loss) attributable to common stock before extraordinary item and cumulative effect of change in accounting principle	$ (21.2)	$ (315.4)
Weighted average number of common shares or common shares and common share equivalents	153.4	354.1(9)
Earnings (loss) per common share before extraordinary item and cumulative effect of change in accounting principle		$ (0.89)

See notes to unaudited pro forma combined condensed financial statements.

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* See Unaudited Pro Forma Condensed Consolidated Financial Statements of Paramount.

** See Unaudited Pro Forma Condensed Consolidated Statements of Operations of Blockbuster.

*** See "Certain Considerations--Consummation of the Blockbuster Merger."

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1993
VIACOM-PARAMOUNT/COMBINED COMPANY
(IN MILLIONS, EXCEPT PER SHARE DATA)

	VIACOM				OFFER AND PARAMOUNT MERGER ADJUSTMENTS	VIACOM/ PARAMOUNT COMBINED	
	VIACOM	PRO FORMA ADJUSTMENTS	PRO FORMA	PRO FORMA PARAMOUNT(8)*			PRO FORMA BLOCKBUSTER**
Revenues	$$2,004.9		$ 2,004.9	$ 5,024.0		$ 7,028.9	$ 2,595.2
Expenses							
Operating	877.6		877.6	3,315.7		4,193.3	1,947.6
Selling, general and administrative	589.2		589.2	1,243.7		1,832.9	212.0
Depreciation and amortization	153.1		153.1	165.1	$ 149.0(5b)	467.2	
Total expenses	1,619.9		1,619.9	4,724.5	149.0	6,493.4	2,159.6
Earnings from operations	385.0		385.0	299.5	(149.0)	535.5	435.6
Interest expense	(145.0)	$ 8.9(4a)	(136.1)	(94.3)	(250.5)(5c)	(480.9)	(98.7)
Interest and other investment income				43.9		43.9	7.2
Other items, net(7)	61.8		61.8	(7.4)		54.4	16.3
Total other income (expense)	(83.2)	8.9	(74.3)	(57.8)	(250.5)	(382.6)	(75.2)
Earnings before income taxes	301.8	8.9	310.7	241.7	(399.5)	152.9	360.4
Provision for income taxes	129.8	3.1(4b)	132.9	88.6	(88.5)(5d)	133.0	135.1
Equity in loss of affiliated companies, net of tax	(2.5)	(12.9)(4c)	(15.4)			(15.4)	
Earnings before extraordinary item, cumulative effect of change in accounting principle and preferred stock dividend requirements	169.5	(7.1)	162.4	153.1	(311.0)	4.5	225.3
Preferred stock dividend requirements	12.8	$ 77.2(4d)	90.0			90.0	
Earnings (loss) attributable to common stock before extraordinary item and cumulative effect of change in accounting principle	$ 156.7	$ (84.3)	$ 72.4	$ 153.1	$ (311.0)	$ (85.5)	$ 225.3
Weighted average number of common shares or common shares and common share equivalents	120.6	22.7			56.9	200.2	
Primary earnings (loss) per common share before extraordinary item and cumulative effect of change in accounting principle	$ 1.30					$ (0.43)	

	BLOCKBUSTER MERGER ADJUSTMENTS	COMBINED COMPANY***
Revenues		$ 9,624.1
Expenses		
Operating	$ (410.7)(6a)	5,730.2
Selling, general and administrative		2,044.9
Depreciation and amortization	95.4(6b)	973.3
	410.7(6a)	
Total expenses	95.4	8,748.4
Earnings from operations	(95.4)	875.7

Interest expense.....			(579.6)	
Interest and other investment income.....			51.1	
Other items, net(7)...	(30.0)	(6c)	40.7	
Total other income (expense).....	(30.0)		(487.8)	
Earnings before income taxes.....	(125.4)		387.9	
Provision for income taxes.....	(11.6)	(6d)	256.5	
Equity in loss of affiliated companies, net of tax.....			(15.4)	
Earnings before extraordinary item, cumulative effect of change in accounting principle and preferred stock dividend requirements.....	(113.8)		116.0	
Preferred stock dividend requirements.....	(30.0)	(6c)	60.0	
Earnings (loss) attributable to common stock before extraordinary item and cumulative effect of change in accounting principle.....	$ (83.8)		$ 56.0	
Weighted average number of common shares or common shares and common share equivalents.....	211.6		411.8	(9)
Primary earnings (loss) per common share before extraordinary item and cumulative effect of change in accounting principle.....			$ 0.14	

See notes to unaudited pro forma combined condensed financial statements.

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* See Unaudited Pro Forma Condensed Consolidated Financial Statements of Paramount.
** See Unaudited Pro Forma Condensed Consolidated Statements of Operations of Blockbuster.
*** See "Certain Considerations--Consummation of the Blockbuster Merger."

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

(1) Pro forma adjustments made to Viacom's historical balance sheet reflect the following:

(a) The sale of Viacom's one-third partnership interest in LIFETIME.

(b) The repayment of bank debt from the after-tax proceeds from the sale of the one-third partnership interest in LIFETIME.

(2) The cost to acquire Paramount pursuant to the Offer and the Paramount Merger, the financing of such cost and the determination of the unallocated excess of acquisition cost over the net assets acquired are as set forth below. In furtherance of the Paramount Merger, on March 11, 1994, Viacom, pursuant to the terms of the Offer, completed its purchase of 61,657,432 shares of Paramount Common Stock, representing a majority of the shares of Paramount Common Stock outstanding as of the expiration of the Offer. In the Paramount Merger, each remaining outstanding share of Paramount Common Stock will be converted into the right to receive the Paramount Merger Consideration. As of March 31, 1994, the closing price of shares of Viacom Class B Common Stock on the AMEX was $26 1/2. As of March 31, 1994 there were 122.8 million shares of Paramount Common Stock outstanding.

(a) Total acquisition costs:

Cash	$ 6,597.3
Viacom Merger Debentures	1,069.9
Viacom Class B Common Stock	1,507.7
CVRs	571.3
Viacom Three-Year Warrants	31.5
Viacom Five-Year Warrants	40.5
Paramount Merger costs	90.0
Acquisition costs financed	9,908.2
Excess value of exchange ratio over exercise price of Paramount employee stock options	54.2
Total acquisition costs	$ 9,962.4

(b) Financing of the Offer and the Paramount Merger:

Cash	$ 2,987.3
Credit Agreement	3,700.0
Viacom Merger Debentures	1,069.9
Viacom Class B Common Stock	1,507.7
CVRs	571.3
Viacom Three-Year Warrants	31.5
Viacom Five-Year Warrants	40.5
Total financing of the Offer and the Paramount Merger	$ 9,908.2

(c) The unallocated excess of acquisition costs over the net assets acquired pursuant to the Paramount Merger.

(3) The cost to acquire Blockbuster pursuant to the Blockbuster Merger, the financing of such cost and the determination of the unallocated excess of acquisition cost over the net assets acquired are set forth below. Pursuant to the Blockbuster Merger, holders of shares of Blockbuster Common Stock will be entitled to receive the Blockbuster Merger Consideration for each of such holder's shares. As of

March 31, 1994, the closing price of shares of Viacom Class A Common Stock and Viacom Class B Common Stock on the AMEX was $30 7/8 and $26 1/2, respectively. As of March 31, 1994, there were 249.1 million shares of Blockbuster Common Stock outstanding.

(a) Total acquisition costs and financing:

Viacom Class A Common Stock	$ 615.2
Viacom Class B Common Stock	4,000.7
VCRs	912.7
Acquisition costs financed	5,528.6
Excess value of exchange ratio over exercise price of Blockbuster stock options and warrants	112.7
Blockbuster Merger costs	30.0
Total acquisition costs	5,671.3
Blockbuster pro forma net assets as of March 31, 1994	1,854.3
Excess of acquisition costs over net assets acquired	$ 3,817.0

(b) Eliminates Blockbuster's $600 million investment in Series A Preferred Stock and $1.25 billion investment in Viacom Class B Common Stock, net of an unrealized holding loss.

(c) Assumes additional borrowings incurred by Blockbuster, which were used to finance the purchase of Viacom Class B Common Stock, will be refinanced on a long-term basis as part of an overall refinancing of indebtedness of the combined company. Viacom believes, based on discussions with a number of bank lenders and investment banking institutions and based on the pro forma financial position and results of operations, that it will have the ability to refinance its indebtedness on a long-term basis.

(4) Pro forma adjustments made to Viacom's historical results reflect the following:

(a) A decrease in interest expense of $2.4 million for the three months ended March 31, 1994 and $8.9 million for the year ended December 31, 1993 resulting from the repayment of bank debt of approximately $205 million.

(b) Pro forma income tax adjustments reflect the income tax effects calculated at the statutory tax rate in effect during the period presented.

(c) Eliminates Viacom's equity in earnings, net of tax, of LIFETIME.

(d) The additional 5% cumulative dividend requirement of the $1.8 billion of Viacom Preferred Stock sold to NYNEX and Blockbuster in the amount of $77.2 million for the year ended December 31, 1993 as if the transactions had occurred at the beginning of the year.

(5) Other pro forma adjustments related to the Offer and the Paramount Merger reflect the following:

(a) A reversal of merger related charges principally relates to adjustments of programming assets based upon new management strategies and additional programming sources and other costs incurred related to the merger with Paramount.

(b) An increase in amortization expense resulting from the increase in intangibles.

(c) An increase in interest expense resulting from additional debt financing of approximately $3.7 billion under the Credit Agreement, the issuance of Viacom Merger Debentures and a decrease of interest income resulting from the use of cash to finance the Offer. The assumed interest rate on the debt financing under the Credit Agreement of 4.6% for the three months ended March 31, 1994 and 4.3% for the year ended December 31, 1993 was calculated based

on average historical London Interbank Offered Rates. A change in the assumed interest rate of 1/8% will result in a change in interest expense of $4.5 million on an annual basis.

(d) Pro forma income tax adjustments reflect the income tax effects calculated at the statutory tax rate in effect during the period presented. The effective income tax rate on a pro forma basis is adversely affected by amortization of excess acquisition costs, which are assumed to be not deductible for tax purposes.

(e) Intercompany transactions were immaterial in each of the statements presented.

(6) Other pro forma adjustments related to the Blockbuster Merger reflect the following:

(a) Reclassification of the historical presentation of depreciation and amortization to conform the presentations of Viacom and Blockbuster financial statements.

(b) An increase in amortization expense resulting from the increase in intangibles.

(c) Eliminates the 5% cumulative annual dividend on the $600 million intercompany Series A Preferred Stock investment by Blockbuster.

(d) Reflects the income tax effects of certain pro forma adjustments calculated at the statutory tax rate in effect during the period presented. The effective income tax rate on a pro forma basis is adversely affected by amortization of excess acquisition costs, which are assumed to be not deductible for tax purposes.

(e) Intercompany transactions were immaterial in each of the statements presented.

(7) Other items, net, of Viacom for the year ended December 31, 1993 reflects a net gain of $61.8 million due to the sale of the Viacom Cablevision of Wisconsin, Inc. system and other non-recurring transactions.

(8) Reflects operating losses at USA Networks, Paramount's 50%-owned cable networks, due largely to a $78 million pre-tax charge, the majority of which was recorded in December 1993, to adjust the carrying value of certain broadcast rights to net realizable value because of the under performance of certain series programming of which Paramount recorded its share.

(9) Pro forma primary earnings per common share is calculated based on the weighted average number of shares of Viacom Common Stock outstanding, the number of shares of Viacom Common Stock to be issued in connection with the Paramount Merger and Blockbuster Merger and respective common share equivalents as if these transactions occurred at the beginning of the period presented. Common share equivalents would have an antidilutive effect on losses per common share and therefore are not included in such calculation. Conversion of the Series B Preferred Stock would have an antidilutive effect on earnings per common share and therefore fully diluted earnings per common share is not presented.

PARAMOUNT, MACMILLAN AND OTHER BUSINESSES ACQUIRED
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma Paramount condensed consolidated statement of operations for the two months ended February 28, 1994 and twelve months ended January 31, 1994 give effect, on a purchase accounting basis, to the acquisition of Macmillan. The unaudited pro forma condensed consolidated statement of operations for the twelve months ended January 31, 1994 also includes the acquisitions of television station WKBD-TV in Detroit ("WKBD") in September 1993 and the remaining 80% interest in Paramount Canada's Wonderland ("PCW") theme park in May 1993. The acquisitions of WKBD and PCW are included in the applicable unaudited pro forma condensed consolidated statement of operations in "Other Businesses Acquired and Pro Forma Adjustments."

The unaudited pro forma Paramount condensed consolidated statement of operations for the two months ended February 28, 1994 and the twelve months ended January 31, 1994 include the unaudited historical consolidated statement of operations of Paramount for the two months ended February 28, 1994 and the twelve months ended January 31, 1994 and of Macmillan for the two months ended February 28, 1994 and the twelve months ended December 31, 1993. The unaudited pro forma condensed consolidated statement of operations for the twelve months ended January 31, 1994 also includes the historical statement of operations of WKBD for the seven months ended August 31, 1993; and of PCW for the three months ended April 30, 1993. Financial information of WKBD and PCW subsequent to their acquisitions are included in Paramount's historical financial statements. Macmillan's fiscal year-end was March 31, PCW's fiscal year-end was February 28, and WKBD's fiscal year-end was December 31; their pro forma periods described above have been derived by accumulating monthly and quarterly financial information for the respective entities.

The unaudited pro forma Paramount condensed consolidated statements of operations are not necessarily indicative of the results which actually would have occurred if the acquisitions had been in effect since the beginning of each period presented, nor are they necessarily indicative of future results.

Adjustments have been made to reflect the acquisitions, on a purchase accounting basis, as if such transactions had taken place at the beginning of each period presented, for the purpose of presenting the unaudited pro forma Paramount condensed consolidated statement of operations.

PARAMOUNT AND MACMILLAN
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE TWO MONTHS ENDED FEBRUARY 28, 1994
(IN MILLIONS, EXCEPT PER SHARE DATA)

	HISTORICAL	MACMILLAN ACQUISITION AND PRO FORMA ADJUSTMENTS(1)	PRO FORMA
	TWO MONTHS ENDED FEBRUARY 28, 1994		
Revenues	$ 680.6	$ 36.6	$ 717.2
Expenses:			
Operating	530.8	31.4	562.2
Selling, general and administrative	176.6	16.0	192.6
Depreciation and amortization	14.1	2.6	16.7
Total expenses	721.5	50.0	771.5
Earnings (loss) from operations	(40.9)	(13.4)	(54.3)
Other income (expense):			
Interest expense	(17.1)		(17.1)
Interest and other investment income	11.1	(2.9)	8.2
Other items, net	(19.0)	(2.3)	(21.3)
Total other expense	(25.0)	(5.2)	(30.2)
Earnings (loss) before income taxes	(65.9)	(18.6)	(84.5)
Provision (benefit) for income taxes	(23.0)	(5.8)	(28.8)
Net earnings (loss)	$ (42.9)	$ (12.8)	$ (55.7)
Weighted average number of common shares	122.1		122.1
Net earnings (loss) per common share	$ (.35)		$ (.46)

See notes to unaudited pro forma condensed consolidated financial statements.

PARAMOUNT, MACMILLAN AND OTHER BUSINESSES ACQUIRED
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JANUARY 31, 1994
(IN MILLIONS, EXCEPT PER SHARE DATA)

	HISTORICAL		MACMILLAN ACQUISITION AND PRO FORMA ADJUSTMENTS(1)	OTHER BUSINESSES ACQUIRED AND PRO FORMA ADJUSTMENTS(2)	PRO FORMA
	NINE MONTHS ENDED JANUARY 31, 1994	THREE MONTHS ENDED APRIL 30, 1993			
Revenues	$ 3,757.0	$ 954.4	$ 287.7	$ 24.9	$ 5,024.0
Expenses:					
Operating	2,499.1	628.3	167.0	21.3	3,315.7
Selling, general and administrative	835.4	315.8	92.5		1,243.7
Depreciation and amortization	124.5	22.2	16.3	2.1	165.1
Total expenses	3,459.0	966.3	275.8	23.4	4,724.5
Earnings (loss) from operations	298.0	(11.9)	11.9	1.5	299.5
Other income (expense):					
Interest expense	(70.6)	(23.7)			(94.3)
Interest and other investment income	53.1	22.2	(26.4)	(5.0)	43.9
Other items, net	(2.7)	(2.2)	(2.6)	0.1	(7.4)
Total other expense	(20.2)	(3.7)	(29.0)	(4.9)	(57.8)
Earnings (loss) before income taxes	277.8	(15.6)	(17.1)	(3.4)	241.7
Provision (benefit) for income taxes	97.2	(6.4)	(1.5)	(0.7)	88.6
Net earnings (loss)	$ 180.6	$ (9.2)	$ (15.6)	$ (2.7)	$ 153.1
Weighted average number of common shares	120.3	118.8			119.9
Net earnings (loss) per common share	$ 1.50	$ (0.08)			$ 1.28

See notes to unaudited pro forma condensed consolidated financial statements.

PARAMOUNT, MACMILLAN AND OTHER BUSINESSES ACQUIRED
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(1) The Macmillan Acquisition includes the following pro forma adjustments:

Estimated amortization of intangible assets of $2.1 million for the two months ended February 28, 1994 and $12.8 million for the twelve months ended January 31, 1994 over a 40 year life.

Estimated reduction of interest income of $2.9 million for the two months ended February 28, 1994 and $26.4 million for the twelve months ended January 31, 1994 at Paramount's average interest rates in effect during the respective periods, due to the use of cash and cash equivalents and short-term investments for the acquisition.

Estimated income tax benefit of $(5.8) million for the two months ended February 28, 1994 and $(1.5) million for the twelve months ended January 31, 1994, based upon pro forma adjustments, along with an adjustment to provide for Macmillan Federal income taxes at the statutory rate.

(2) Other Businesses Acquired include the following pro forma adjustments for the twelve months ended January 31, 1994:

Decrease estimated combined annual amortization of intangible assets over a 40 year life and depreciation expense, based on a preliminary purchase price allocation analysis, of $(0.2) million.

Elimination of historical interest expense related to debt not acquired from, or prepaid upon acquisition of, the Other Businesses.

Estimated reduction to interest income, at Paramount's average interest rates in effect during the twelve-month period, of $5.0 million due to the use of cash and cash equivalents and short-term investments for the acquisitions.

Conform the Other Businesses' accounting policies related to the accrual of certain operating expenses to that of Paramount and to eliminate the effect of intercompany transactions between the Other Businesses and Paramount. The effect of these adjustments is to reduce operating expenses by $2.9 million.

Estimated income tax benefit of $(2.4) million, based upon pro forma adjustments, along with an adjustment to provide for Federal income taxes at the statutory rate.

BLOCKBUSTER, SUPER CLUB AND
SPELLING ENTERTAINMENT
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

The historical financial statements of Blockbuster include the financial position and results of operations of WJB, with which Blockbuster merged in August 1993. This transaction has been accounted for under the pooling of interests method of accounting and, accordingly, all of Blockbuster's historical financial data has been restated as if the companies had operated as one entity since inception.

The following unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 1994 presents the pro forma results of operations as if the $1.25 billion investment in Viacom had been consummated at January 1, 1993 and the related interest expense incurred on borrowings used to finance such investment had been included from such time. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 1993 presents the pro forma results of continuing operations of Blockbuster as if the acquisition of Super Club and the majority of the outstanding common stock of Spelling Entertainment had been consummated at January 1, 1993. The aforementioned unaudited pro forma statement of operations also contains pro forma adjustments for certain significant transactions which occurred during 1993 or 1994 in connection with the Offer and the Paramount Merger. These transactions include a $600 million and a $1.25 billion investment in Viacom, additional borrowings of $600 million and $1.25 billion, and the sale of 14,650,000 shares of Blockbuster Common Stock, and are reflected in the unaudited pro forma condensed consolidated statement of operations as if these transactions had been consummated as of January 1, 1993.

Income from continuing operations per common and common equivalent share is based on the combined weighted average number of common shares and common share equivalents outstanding which include, where appropriate, the assumed exercise or conversion of warrants and options. In computing income from continuing operations per common and common equivalent share, Blockbuster utilizes the treasury stock method.

The unaudited pro forma condensed consolidated statements of operations were prepared utilizing the accounting policies of the respective entities as outlined in their historical financial statements except as described in the accompanying notes. The unaudited pro forma condensed consolidated financial statements reflect Blockbuster's preliminary allocations of purchase prices which will be subject to further adjustments as Blockbuster finalizes the allocations of the purchase prices in accordance with generally accepted accounting principles. All of the aforementioned acquisitions, excluding WJB, were accounted for under the purchase method of accounting. The unaudited pro forma condensed consolidated statements of operations do not necessarily reflect actual results which would have occurred if the aforementioned acquisitions had taken place on the assumed dates, nor are they indicative of the results of future combined operations. These unaudited pro forma condensed consolidated statements of operations should be read in conjunction with the respective historical statements of operations and notes thereto of Blockbuster, Super Club and Spelling Entertainment.

BLOCKBUSTER
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1994
(In millions, except per share data)

	BLOCKBUSTER	PRO FORMA ADJUSTMENTS DEBIT	PRO FORMA ADJUSTMENTS CREDIT	PRO FORMA
Revenue:				
Rental revenue	$ 392.6			$ 392.6
Product sales	205.3			205.3
Other revenue	98.6			98.6
	696.5			696.5
Operating Costs and Expenses:				
Cost of product sales	133.4			133.4
Operating expenses	379.9			379.9
Selling, general and administrative	63.6			63.6
Operating income	119.6			119.6
Interest expense	(11.6)	$ 10.4(a)		(22.0)
Interest income	1.4			1.4
Other income, net	5.8			5.8
Income before taxes	115.2	10.4		104.8
Provision for income taxes	42.6		$ 3.8(k)	38.8
Income from continuing operations	$ 72.6	$ 10.4	$ 3.8	$ 66.0
Weighted average common and common equivalent shares outstanding--assuming full dilution	253.8			253.8
Income from continuing operations per common and common equivalent share--assuming full dilution	$ 0.29			$ 0.26

The accompanying notes are an integral part of this statement.

BLOCKBUSTER, SUPER CLUB AND SPELLING ENTERTAINMENT
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1993
(In millions, except per share data)

	BLOCKBUSTER	SUPER CLUB ELEVEN MONTHS ENDED 11/20/93	SPELLING ENTERTAINMENT THREE MONTHS ENDED 3/31/93	COMBINED	PRO FORMA ADJUSTMENTS DEBIT	PRO FORMA ADJUSTMENTS CREDIT	PRO FORMA
Revenue:							
Rental revenue	$ 1,285.4	$ 58.7		$ 1,344.1			
Product sales	658.1	254.6		912.7			
Other revenue	283.5	3.4	$ 51.5	338.4			
	2,227.0	316.7	51.5	2,595.2			
Operating Costs and Expenses:							
Cost of product sales	430.2	185.8		616.0			
Operating expenses	1,195.5	119.3	38.0	1,352.8		$ 21.2(c-g)	
Selling, general and administrative	178.3	26.0	7.7	212.0			
Operating income (loss)	423.0	(14.4)	5.8	414.4		21.2	
Interest expense	(33.8)	(2.6)	(2.5)	(38.9)	$ 60.3(a)	.5(h)	
Interest income	6.8	.2	.2	7.2			
Other income (expense), net	(6.2)	.1	(.9)	(7.0)	.9(b)	24.2(i)	
Income (loss) before taxes	389.8	(16.7)	2.6	375.7	61.2	45.9	
Provision for income taxes	146.2	.1	1.7	148.0		12.9(j)	
Income (loss) from continuing operations	$ 243.6	$ (16.8)	$ .9	$ 227.7	$ 61.2	$ 58.8	
Weighted average common and common equivalent shares outstanding	220.2						
Income from continuing operations per common and common equivalent share	$ 1.11						
Weighted average common and common equivalent shares outstanding-- assuming full dilution	221.5						
Income from continuing operations per common and common equivalent share--assuming full dilution	$ 1.10						

	PRO FORMA
Revenue:	
Rental revenue	$ 1,344.1
Product sales	912.7
Other revenue	338.4
	2,595.2
Operating Costs and Expenses:	
Cost of product sales	616.0
Operating expenses	1,331.6
Selling, general and administrative	212.0
Operating income (loss)	435.6
Interest expense	(98.7)
Interest income	7.2
Other income (expense), net	16.3
Income (loss) before taxes	360.4
Provision for income taxes	135.1
Income (loss) from continuing operations	$ 225.3
Weighted average common and common equivalent shares outstanding	242.8
Income from continuing operations per common and common equivalent share	$ 0.93
Weighted average common and common equivalent shares outstanding-- assuming full dilution	244.0

Income from continuing operations per common and common equivalent share--assuming full dilution.....	$ 0.92

The accompanying notes are an integral part of this statement.

(a) Represents additional interest expense resulting from Blockbuster's additional borrowings used to fund its investment in Viacom.
(b) Represents the recording of the minority interest resulting from Blockbuster's purchase of the majority of the outstanding common stock of Spelling Entertainment.
(c) Represents a net adjustment related to the elimination of the historical amortization of intangible assets and the recording of amortization, on a straight-line basis, on the intangible assets resulting from the preliminary purchase price allocations of the acquired entities. Intangible assets resulting from the purchase of Super Club and Spelling Entertainment are being amortized over a 40 year life which approximates the useful life.
(d) Represents a reduction to videocassette rental inventory amortization expense due to adjustments to the carrying value of Super Club's videocassette rental inventory as a result of the preliminary purchase price allocation and the assignment of remaining useful lives.
(e) Represents a reduction to property and equipment depreciation expense resulting from adjustments to the carrying value of Super Club's property and equipment as a result of the preliminary purchase price allocation and the assignment of remaining useful lives.
(f) Represents reductions to occupancy expense resulting from preliminary purchase price allocations which reflect the fair market value of certain lease liabilities related to Super Club.
(g) Represents reductions to amortization of film costs and program rights, depreciation and rent expenses resulting from preliminary purchase price allocations which reflect the fair market value of various assets and liabilities related to Spelling Entertainment.
(h) Represents the reduction in interest expense resulting from the revaluation of outstanding indebtedness of Spelling Entertainment by Blockbuster at current interest rates.
(i) Represents dividend income related to a portion of Blockbuster's investment in Viacom.
(j) Represents the incremental change in the combined entity's provision for income taxes as a result of the pretax earnings (loss) of Super Club and Spelling Entertainment and all pro forma adjustments as described above.
(k) Represents the incremental change in the provision for income taxes as a result of pro forma adjustment (a).

DESCRIPTION OF VIACOM CAPITAL STOCK

The authorized capital stock of Viacom consists of 100 million shares of Viacom Class A Common Stock, 150 million shares of Viacom Class B Common Stock and 100 million shares of preferred stock, par value $0.01 per share, issuable in series. The following description of Viacom's capital stock does not purport to be complete and is subject to, and qualified in its entirety by reference to, the DGCL, Viacom's Restated Certificate of Incorporation, the Certificate of Designations for the Series A Preferred Stock, the Certificate of Designations for the Series B Preferred Stock, the VCR Certificate, the Form of Certificate of Designations for the Series C Preferred Stock, the CVR Agreement (as described below), and the Viacom Warrant Agreements (as described below).

The following descriptions of the Viacom Common Stock, CVRs and Viacom Warrants should be read carefully by Paramount stockholders since the Paramount Merger Consideration includes such securities.

VIACOM CLASS A COMMON STOCK

As of the record date of the Viacom Special Meeting, there were 53,449,525 shares of Viacom Class A Common Stock issued and outstanding. All outstanding shares of Viacom Class A Common Stock are fully paid and non-assessable. Shares of Viacom Class A Common Stock do not have conversion rights and are not redeemable.

VIACOM CLASS B COMMON STOCK

Viacom Class B Common Stock has rights, privileges, limitations, restrictions and qualifications identical to Viacom Class A Common Stock except that shares of Viacom Class B Common Stock have no voting rights other than those required by law. As of the record date of the Viacom Special Meeting, there were 90,083,779 shares of Viacom Class B Common Stock issued and outstanding. All outstanding shares of Viacom Class B Common Stock are fully paid and non-assessable. Shares of Viacom Class B Common Stock do not have conversion rights and are not redeemable.

CONTINGENT VALUE RIGHTS

GENERAL. The CVRs will be issued under the CVR Agreement (the "CVR Agreement") between Viacom and Harris Trust and Savings Bank, as Trustee (the "CVR Trustee"), a form of which is filed as an exhibit to the Registration Statement of which this Proxy Statement/Prospectus is a part. The following summaries of certain provisions of the CVR Agreement do not purport to be complete, and where reference is made to particular provisions of the CVR Agreement, such provisions, including the definitions of certain terms, are incorporated by reference as a part of such summaries or terms, which are qualified in their entirety by such reference. References to sections in the following summaries are references to sections of the CVR Agreement. The definitions of certain capitalized terms used in the following summary are set forth below under "Certain Definitions."

PAYMENT AT MATURITY DATE, FIRST EXTENDED MATURITY DATE OR SECOND EXTENDED MATURITY DATE. The CVR Agreement provides that, subject to adjustment as described under "Antidilution" below, Viacom shall pay to each holder of the CVRs (each such person, a "CVR Holder") on the Maturity Date, unless Viacom shall, in its sole discretion, extend the Maturity Date to the First Extended Maturity Date, then on the First Extended Maturity Date, unless Viacom shall, in its sole discretion, extend the First Maturity Date to the Second Extended Maturity Date, then on the Second Extended Maturity Date, for each CVR held by such CVR Holder an amount, if any, as determined by Viacom, by which the Target Price (as defined below) exceeds the greater of the Current Market Value and the Minimum Price (each as defined below). Such determination by Viacom absent manifest error shall be final and binding on Viacom and the CVR Holders. (Section 301(c)).

Such amount, if any, shall be payable by Viacom, at Viacom's sole discretion, either (i) in such coin or currency of the United States of America as at the time is legal tender for the payment of public and private debts; provided, however, Viacom may pay such amounts by its check payable in such money or (ii) by delivering the equivalent fair market value (as determined by an Independent Financial Expert)

of securities of Viacom, including, without limitation, common stock or preferred stock, options or warrants therefor, other securities convertible into or exchangeable for common stock or preferred stock, notes, debentures, derivative securities or any other security or Viacom now existing or hereafter created or any combination of the foregoing. There can be no assurance, however, that such securities, if issued, would ultimately trade in the market at a price at or above the value determined by the Independent Financial Expert. Such securities, if issued, would be registered under the Securities Act of 1933 prior to the issuance thereof and a prospectus in connection with such issuance would be delivered to holders of record of CVRs at that time. Harris Trust Company of New York has been appointed as paying agent in the Borough of Manhattan, The City of New York. (Section 307)

Viacom may at its option extend the Maturity Date to the First Extended Maturity Date and may at its option extend the First Extended Maturity Date to the Second Extended Maturity Date. Such options shall be exercised by (i) publishing notice of an extension in the Authorized Newspaper and (ii) furnishing notice to the CVR Holders of such extension, in each case, not less than one business day preceding the Maturity Date or the First Extended Maturity Date, as the case may be; provided, however, that no defect in any such notice shall affect the validity of the extension of the Maturity Date to the First Extended Maturity Date or the extension of the First Extended Maturity Date to the Second Extended Maturity Date, and that any notice when published and mailed to a CVR Holder in the aforesaid manner shall be conclusively deemed to have been received by such CVR Holder whether or not actually received by such CVR Holder. (Section 301(d))

The CVRs are unsecured obligations of Viacom and will rank equally with all other unsecured indebtedness of Viacom.

PAYMENT UPON THE OCCURRENCE OF A DISPOSITION. Upon the consummation of a Disposition (as defined below), Viacom shall pay (in cash or securities of Viacom) to each CVR Holder for each CVR held by such CVR Holder an amount, if any, as determined by Viacom, by which the Discounted Target Price exceeds the greater of (i) the fair market value as determined by an Independent Financial Expert, of the consideration, if any, received for each share of Viacom Class B Common Stock by the holder thereof as a result of such Disposition and assuming that such holder did not exercise any right of appraisal granted under law with respect to such Disposition and (ii) the Minimum Price. Such determinations by Viacom and such Independent Financial Expert absent manifest error shall be final and binding on Viacom and the CVR Holders. Such payment, if any, shall be made on the Disposition Payment Date established by Viacom, which in no event shall be more than 30 days after the date on which the Disposition was consummated. (Section 301(e)) As soon as practicable, Viacom shall give CVR Holders notice of such Disposition and the Disposition Payment Date. (Section 301(f))

DETERMINATION THAT NO AMOUNT IS PAYABLE WITH RESPECT TO THE CVRS. If the average trading value of a share of Viacom Class B Common Stock equals or exceeds $48 on the Maturity Date or $51 on the First Extended Maturity Date (if the Maturity Date is extended by Viacom to the First Extended Maturity Date) or $55 on the Second Extended Maturity Date (if the First Extended Maturity Date is extended by Viacom to the Second Extended Maturity Date), as the case may be, no amount will be payable with respect to the CVRs. Certain corporate reorganizations, in which consideration paid to holders of shares of Viacom Class B Common Stock exceeds minimum amounts may also result in no value being payable with respect to the CVRs.

In the event that Viacom determines that no amount is payable with respect to the CVRs to the CVR Holders on the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date or the Disposition Payment Date, as the case may be, Viacom shall give to the CVR Holders notice of such determination. Upon making such determination and absent manifest error, the CVRs shall terminate and become null and void and the CVR Holders shall have no further rights with respect thereto. The failure to give such notice or any defect therein shall not affect the validity of such determination. (Section 301(j))

NO INTEREST. Notwithstanding any provision of the CVR Agreement or of the CVRs to the contrary, other than in the case of interest on the Default Amount, no interest shall accrue on any amounts payable on the CVRs to the CVR Holders. (Section 301(i))

EVENTS OF DEFAULT. If an Event of Default occurs and is continuing, either the CVR Trustee or CVR Holders of not less than 25% of the outstanding CVRs, by notice in writing to Viacom (and to the CVR Trustee if given by CVR Holders), may declare the CVRs to be due and payable immediately, and upon any such declaration, Viacom shall pay to the CVR Holders (in cash or securities of Viacom, at Viacom's option) for each CVR held by the CVR Holders, the Default Amount with interest at the Default Interest Rate, from the Default Payment Date through the date payment is made to the CVR Trustee. (Section 801)

If, at any time after the CVRs shall have been so declared due and payable, and before any judgment or decree for the payment of the amounts due shall have been obtained or entered, Viacom shall pay or shall deposit with the CVR Trustee a sum sufficient to pay all amounts which shall have become due otherwise than by acceleration (with interest upon such overdue amount at the Default Interest Rate to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the CVR Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made by the CVR Trustee except as a result of negligence or bad faith, and if any and all Events of Default, other than the nonpayment of the amounts which shall have become due by acceleration, shall have been cured, waived or otherwise remedied, then the CVR Holders holding a majority of all the CVRs then Outstanding, by written notice to Viacom and to the CVR Trustee, may waive all defaults with respect to the CVRs and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereof. (Section 801)

CERTAIN PURCHASES AND SALES. Viacom and NAI will not, and Viacom will not permit any of its subsidiaries or controlled affiliates (including Paramount) to, purchase any shares of Viacom Class B Common Stock in open market transactions, in privately negotiated transactions or otherwise, on any day during the period commencing 10 trading days before the Valuation Period and ending on the last day of the Valuation Period, except with respect to employee benefit plans and other incentive compensation arrangements. (Section 704)

ANTIDILUTION. In the event Viacom shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the number of outstanding shares of Viacom Class B Common Stock, Viacom shall similarly subdivide or combine the CVRs and shall appropriately adjust the Discounted Target Price, the Target Price and the Minimum Price. Whenever such an adjustment is made, Viacom shall (i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (ii) promptly file with the CVR Trustee a copy of such certificate and (iii) mail a brief summary thereof to each CVR Holder. The CVR Trustee shall be fully protected in relying on any such certificate and on any adjustment therein contained. Such adjustment absent manifest error shall be final and binding on Viacom and the CVR Holders. Each outstanding CVR shall thenceforth represent that number of adjusted CVRs necessary to reflect such subdivision or combinations, and reflect the adjusted Discounted Target Price, Target Price and Minimum Price. (Section 301(k))

CONSOLIDATION, MERGER AND SALE OF ASSETS. The CVR Agreement provides that Viacom may, without the consent of the CVR Holders of any of the Outstanding CVRs, consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any corporation, partnership or trust organized under the laws of the United States of America, any state thereof or the District of Colombia, provided that (i) the successor Person assumes Viacom's obligations under the CVRs and the CVR Agreement, (ii) immediately after giving pro forma effect to the transaction, there exists no Event of Default and (iii) Viacom delivers to the Trustee an officer's certificate regarding compliance with the foregoing. Solely for purposes of this paragraph, "convey, transfer or lease its properties and assets substantially as an entirety" shall mean properties and assets contributing in the aggregate at least 80% of Viacom's total revenues as reported in Viacom's last available periodic financial report (quarterly or annual, as the case may be) filed with the Commission. (Section 901)

CERTAIN DEFINITIONS.

"Authorized Newspaper" means The Wall Street Journal (Eastern Edition), or if The Wall Street Journal (Eastern Edition) shall cease to be published, or, if the publication or general circulation of The Wall Street Journal (Eastern Edition) shall be suspended for whatever reason, such other English language newspaper as is selected by Viacom with general circulation in The City of New York, New York.

"Current Market Value" means (i) with respect to the Maturity Date and the First Extended Maturity Date, the median of the averages of the closing prices on the AMEX (or such other exchange on which such shares are then listed) of shares of Viacom Class B Common Stock during each 20 consecutive trading day period that both begins and ends in the Valuation Period and (ii) with respect to the Second Extended Maturity Date, the average of the closing prices on the AMEX (or such other exchange on which such shares are then listed) of the Viacom Class B Common Stock during the 20 consecutive trading days in the Valuation Period which yield the highest such average of the closing prices for any such period within the Valuation Period.

"Default Amount" means the amount, if any, by which the Discounted Target Price exceeds the Minimum Price.

"Default Interest Rate" means 8% per annum.

"Default Payment Date" means the date upon which the CVRs become due and payable pursuant to Section 801.

"Discounted Target Price" means (i) if a Disposition or an Event of Default shall occur prior to the Maturity Date, $48.00 discounted back from the Maturity Date to the Disposition Payment Date or the Default Payment Date, as the case may be, at 8% per annum; (ii) if a Disposition or an Event of Default shall occur after the Maturity Date but prior to the First Extended Maturity Date, $51.00 discounted back from the First Extended Maturity Date to the Disposition Payment Date or Default Payment Date, as the case may be, at 8% per annum; or (iii) if a Disposition or an Event of Default shall occur after the First Extended Maturity Date but prior to the Second Extended Maturity Date, $55.00 discounted back from the Second Extended Maturity Date to the Disposition Payment Date or Default Payment Date, as the case may be, at 8% per annum. In each case, upon each occurrence of an event specified under "Antidilution" above, such amounts, as they may have been previously adjusted, shall be adjusted as described under "Antidilution" above.

"Disposition" means (i) a merger, consolidation or other business combination involving Viacom as a result of which no shares of Viacom Class B Common Stock shall remain outstanding, (ii) a sale, transfer or other disposition, in one or a series of transactions, of all or substantially all of the assets of Viacom or (iii) a reclassification of Viacom Class B Common Stock as any other capital stock of Viacom or any other Person; provided, however, that a "Disposition" shall not mean, or occur upon, a merger of Viacom and any wholly owned subsidiary of Viacom.

"Disposition Payment Date" means the date established by Viacom, which in no event shall be more than 30 days after the date on which the disposition was consummated, upon which Viacom shall pay in the manner provided in Section 307 of the CVR Agreement to each CVR Holder for each CVR held by such CVR Holder an amount, if any, as determined by Viacom.

"Event of Default," with respect to the CVRs, means each of the following which shall have occurred and be continuing: (a) default in the payment of all or any part of the amounts payable in respect of any of the CVRs as and when the same shall become due and payable either at the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or otherwise; or (b) default in the performance, or breach of any covenant or warranty of Viacom, and continuance of such default or breach for a period of 90 days after written notice has been given to Viacom by the CVR Trustee or to Viacom and the CVR Trustee by CVR Holders holding at least 25% of the CVRs; or (c) certain events of bankruptcy, insolvency, reorganization, or other similar events in respect of Viacom.

"Independent Financial Expert" means a nationally recognized investment banking firm.

The "Minimum Price" means (i) at the Maturity Date, $36.00, (ii) at the First Extended Maturity Date, $37.00 and (iii) at the Second Extended Maturity Date, $38.00. In each case, upon each occurrence of an event specified under "Antidilution" above, such amounts, as they may have been previously adjusted, shall be adjusted as described under "Antidilution" above.

The "Target Price" means (i) at the Maturity Date, $48.00, (ii) at the First Extended Maturity Date, $51.00 and (iii) at the Second Extended Maturity Date, $55.00. In each case, upon each occurrence of an event specified under "Antidilution" above, such amounts, as they may have been previously adjusted, shall be adjusted as described under "Antidilution" above.

"Valuation Period" means the 60 trading day period immediately preceding (and including) the Maturity Date, the First Extended Maturity Date or the Second Extended Maturity Date, as the case may be.

VIACOM WARRANTS

General. Viacom will issue an aggregate of 30,567,739 Viacom Three-Year Warrants and 18,340,643 Viacom Five-Year Warrants in connection with the Paramount Merger. The Viacom Three-Year Warrants are being offered pursuant to a Warrant Agreement (the "Viacom Three-Year Warrant Agreement") that will be entered into between Viacom and Harris Trust and Savings Bank, as Warrant Agent. The Viacom Five-Year Warrants are being offered pursuant to a Warrant Agreement (the "Viacom Five-Year Warrant Agreement" and, together with the Viacom Three-Year Warrant Agreement, the "Viacom Warrant Agreements") that will be entered into between Viacom and Harris Trust and Savings Bank, as Warrant Agent. The following summary of certain provisions of the Viacom Warrant Agreements does not purport to be complete and is subject to and is qualified in its entirety by reference to the provisions of the Viacom Warrant Agreements, including the definitions of certain terms therein. A copy of the form of the Viacom Warrant Agreements, including the form of Viacom Warrant Certificates (as defined below), is filed as an exhibit to the Registration Statement, to which this Proxy Statement/Prospectus forms a part.

Each Viacom Three-Year Warrant is evidenced by a warrant certificate (the "Viacom Three-Year Warrant Certificate") which entitles the warrantholder, at any time prior to third anniversary of the Paramount Effective Time (the "Three-Year Expiration Date"), to purchase one share of Viacom Class B Common Stock at a price (the "Three-Year Exercise Price") of $60 per share, subject to certain adjustments. Viacom Three-Year Warrants that are not exercised prior to the Three-Year Expiration Date will expire and become void.

Each Viacom Five-Year Warrant is evidenced by a warrant certificate (the "Viacom Five-Year Warrant Certificate" and, together with the Viacom Three-Year Warrant Certificate, the "Viacom Warrant Certificates") which entitles the warrantholder at any time prior to the fifth anniversary of the Paramount Effective Time (the "Five-Year Expiration Date" and, together with the Three-Year Expiration Date, the "Viacom Warrant Expiration Dates"), to purchase one share of Viacom Class B Common Stock at a price (the "Five-Year Exercise Price" and, together with the Three-Year Exercise Price, the "Viacom Warrant Exercise Prices") of $70 per share, subject to certain adjustments. Viacom Five-Year Warrants that are not exercised prior to the Five-Year Expiration Date will expire and become void.

The aggregate number of shares of Viacom Class B Common Stock issuable upon exercise of the Viacom Warrants is equal to 25% of the Viacom Class B Common Stock to be outstanding after the Paramount Merger and 14% after the Mergers.

Exercise of Viacom Warrants. To exercise all or any of the Viacom Warrants represented by a Viacom Warrant Certificate, the warrantholder is required to surrender to the Warrant Agent the Viacom Warrant Certificate, a duly executed copy of the subscription form set forth in the Viacom Warrant Certificate, and payment in full of the Viacom Warrant Exercise Price for each share of Viacom Class B Common Stock as to which a Viacom Warrant is exercised. In the case of the Viacom

Three-Year Warrants, such payment may be made in cash or by certified or official bank or bank cashier's check payable to the order of Viacom.

In the case of Viacom Five-Year Warrants, such payment may be made (i) in cash or by certified or official bank or bank cashier's check payable to the order of Viacom or (ii) by exchanging, if issued, either Series C Preferred Stock with a liquidation preference equal to the Five-Year Exercise Price, or Viacom Exchange Debentures with a principal amount equal to the Five-Year Exercise Price. Upon the exercise of any Viacom Warrants in accordance with the Viacom Warrant Agreement, the Viacom Warrant Agent will cause Viacom to transfer promptly to or upon the written order of the Warrantholder appropriate evidence of ownership of any shares of Viacom Class B Common Stock, registered or otherwise placed in such name or names as such warrantholder may direct in writing, and will deliver such evidence of ownership to the person or persons entitled to receive the same and an amount in cash, in lieu of any fractional shares, if any. All shares of Viacom Class B Common Stock issuable by Viacom upon the exercise of the Viacom Warrants must be validly issued, fully paid and nonassessable.

Antidilution Provisions. The number of shares of Viacom Class B Common Stock that may be purchased upon the exercise of each Viacom Warrant, and payment of the Viacom Warrant Exercise Price, are subject to adjustment in the event of certain transactions, including Viacom's (a) issuing shares of Viacom Class B Common Stock as a stock dividend to the holders of Viacom Common Stock, (b) subdividing or combining the outstanding shares of Viacom Class B Common Stock into a greater or lesser number of shares, (c) issuing any shares of its capital stock in a reclassification or reorganization of the Viacom Class B Common Stock, (d) issuing, selling, distributing or otherwise granting rights to subscribe for or to purchase warrants or options for the purchase of Viacom Class B Common Stock or any stock or securities convertible into or exchangeable for Viacom Class B Common Stock, and (e) issuing, selling or otherwise distributing certain convertible securities. No fractional shares will be issued upon exercise of Viacom Warrants, but Viacom will pay the cash value of any fractional shares otherwise issuable. In case of any consolidation, merger or sale of all or substantially all of the assets of Viacom in a transaction in which the holders of Viacom Class B Common Stock immediately prior to such transaction receive securities, cash or other assets of Viacom (or any other person), the holder of each outstanding Viacom Warrant shall have the right to the kind and amount of securities, cash or other assets receivable by a holder of the number of shares of Viacom Class B Common Stock into which such Viacom Warrants were exercisable immediately prior thereto.

Trading/Listing. The Viacom Warrants have been approved for listing on the AMEX, subject to official notice of issuance and stockholder approval. The Viacom Three-Year Warrants and the Viacom Five-Year Warrants will be traded on the AMEX under the symbols "VIA.WS.C" and "VIA.WS.E", respectively.

VOTING AND OTHER RIGHTS OF THE VIACOM COMMON STOCK

Voting Rights. Under the Viacom Restated Certificate of Incorporation, except as noted below or otherwise required by the DGCL, the holders of the outstanding shares of Viacom Class A Common Stock vote together with the holders of the outstanding shares of all other classes of capital stock of Viacom entitled to vote, without regard to class. At the present time, however, there are no outstanding shares of any other class of capital stock of Viacom entitled to vote. Each holder of an outstanding share of Viacom Class A Common Stock is entitled to cast one vote for each such share registered in the name of such holder. The affirmative vote of the holders of a majority of the outstanding shares of Viacom Class A Common Stock is necessary to approve any consolidation or merger of Viacom with or into another corporation pursuant to which shares of Viacom Class A Common Stock would be converted into or exchanged for any securities or other consideration.

A holder of an outstanding share of Viacom Class B Common Stock is not entitled, except as may be required by Delaware law, to vote on any question presented to the stockholders of Viacom, including both the election of directors and certain amendments to the Restated Certificate of Incorporation which might affect Viacom Class B Common Stock or the holders thereof. Under Delaware law and the

Viacom Restated Certificate of Incorporation, holders of shares of Viacom Class B Common Stock are entitled to vote, as a class, only with respect to any proposed amendment to the Viacom Restated Certificate of Incorporation which would (i) increase or decrease the par value of a share of Viacom Class B Common Stock or (ii) alter or change the powers, preferences or special rights of the shares of Viacom Class B Common Stock so as to affect them adversely. Any future change in the number of authorized shares of Viacom Class B Common Stock or any consolidation or merger of Viacom with or into another corporation pursuant to which shares of Viacom Class B Common Stock would be converted into or exchanged for any securities or other consideration could be consummated with the approval of the holders of a majority of the outstanding shares of Viacom Class A Common Stock and without any action by the holders of shares of Viacom Class B Common Stock.

Dividends. Subject to the rights and preferences of any outstanding preferred stock, dividends on Viacom Class A Common Stock and Viacom Class B Common Stock would be payable out of the funds of Viacom legally available therefor when, as and if declared by the Viacom Board. However, no dividend may be paid or set aside for payment and no distribution may be made on either class of Viacom Common Stock unless at the same time and in respect of the same declaration date and record date a ratable dividend is paid or set aside for payment or a distribution is made on the other class of Viacom Common Stock.

Rights in Liquidation. In the event Viacom is liquidated, dissolved or wound up, whether voluntarily or involuntarily, the net assets of Viacom would be divided ratably among the holders of the then outstanding shares of Viacom Class A Common Stock and Viacom Class B Common Stock after payment or provision for payment of the full preferential amounts to which the holders of any series of preferred stock of Viacom then issued and outstanding would be entitled.

Split, Subdivision or Combination. If Viacom splits, subdivides or combines the outstanding shares of Viacom Class A Common Stock or Viacom Class B Common Stock, the outstanding shares of the other class of Viacom Common Stock shall be proportionally split, subdivided or combined in the same manner and on the same basis as the outstanding shares of the other class of Viacom Common Stock have been split, subdivided or combined.

Preemptive Rights. Shares of Viacom Class A Common Stock and shares of Viacom Class B Common Stock do not entitle a holder to any preemptive rights enabling a holder to subscribe for or receive shares of stock of any class or any other securities convertible into shares of stock of any class of Viacom. The Viacom Board possesses the power to issue shares of authorized but unissued Viacom Class A Common Stock and Viacom Class B Common Stock without further stockholder action, subject, so long as shares of Viacom Class A Common Stock and Viacom Class B Common Stock are listed on the AMEX, to the requirements of such exchange. The number of authorized shares of Viacom Class A Common Stock and Viacom Class B Common Stock could be increased with the approval of the holders of a majority of the outstanding shares of Viacom Class A Common Stock and without any action by the holders of shares of Viacom Class B Common Stock.

Trading Market. The outstanding shares of Viacom Class A Common Stock and Viacom Class B Common Stock are listed for trading on the AMEX. The Registrar and Transfer Agent for Viacom Common Stock is The First Chicago Trust Company of New York.

Alien Ownership. The Viacom Restated Certificate of Incorporation provides that Viacom may prohibit the ownership or voting of a percentage of its equity securities in order to ensure compliance with the requirements of the Communications Act.

VIACOM PREFERRED STOCK

The Viacom Board, without further action by the stockholders, is authorized to issue up to 100 million shares of preferred stock in one or more series and to designate as to any such series the dividend rate, redemption prices and terms, preferences on liquidation or dissolution, rights in the event of a merger, consolidation, distribution or sale of assets, conversion rights, voting rights and any other powers, preferences, and relative, participating, optional or other special rights and qualifications,

limitations or restrictions. The rights of the holders of Viacom Common Stock will be subject to, and may be adversely affected by, the rights of the holders of Viacom Preferred Stock and any preferred stock of Viacom that may be issued in the future. The Viacom Preferred Stock will rank senior to Viacom Common Stock with respect to dividends and distribution of assets upon liquidation or winding up. Issuance of a new series of preferred stock, while providing desirable flexibility in connection with possible acquisitions or other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or discouraging a third party from acquiring, a majority of the outstanding voting stock of Viacom.

Viacom has issued 24 million shares of Series A Preferred Stock to Blockbuster and 24 million shares of Series B Preferred Stock to NYNEX, both of which classes have indentical rights and restrictions and rank equally as to dividends and distribution of assets upon liquidation. Upon consummation of the Blockbuster Merger, the Series A Preferred Stock owned by Blockbuster will cease to be outstanding. Pursuant to the Paramount Merger, Viacom is reserving for issuance a new series of preferred stock, the Series C Preferred Stock. See "--Series C Preferred Stock."

Holders of shares of Viacom Preferred Stock will be entitled to receive cumulative cash dividends at the rate per annum of $1.25 per share of Series A Preferred Stock and $2.50 per share of Series B Preferred Stock, payable quarterly. So long as any shares of Viacom Preferred Stock are outstanding, Viacom may not (i) declare or pay any dividend or distribution on any junior stock of Viacom or (ii) redeem or set apart funds for the purchase or redemption of any junior stock unless all accrued and unpaid dividends with respect to the Viacom Preferred Stock have been paid or funds have been set apart for payment through the current dividend period.

Shares of Viacom Preferred Stock may not be redeemed by Viacom prior to October 1, 1998, after which date such stock will be redeemable at Viacom's option for an aggregate redemption price of at least $100 million at declining redemption prices annually until October 1, 2003. In the event of any liquidation, dissolution or winding up of Viacom, whether voluntary or involuntary, holders of shares of Viacom Preferred Stock shall receive $25.00 per share of Series A Preferred Stock and $50 per share of Series B Preferred Stock plus an amount per share equal to all dividends accrued and unpaid thereon to the date of final distribution to such holders.

The holders of shares of Viacom Preferred Stock will have no voting rights, unless dividends payable on Series A Preferred Stock or Series B Preferred Stock fall in arrears for dividend periods totalling at least 360 days, in which case the number of directors of Viacom will be increased by two in respect of each such series and the holders of shares of each such series will have the right to elect two additional directors to the Viacom Board at Viacom's next annual meeting of stockholders and at each subsequent annual meeting until all such dividends have been paid in full.

Changes to Viacom's Restated Certificate of Incorporation which adversely affect the rights of the holders of Series A Preferred Stock or Series B Preferred Stock require two-thirds approval of the outstanding shares of such series. The Certificates of Designation of the Series A Preferred Stock and Series B Preferred Stock may not be amended without the consent of the purchaser thereof as long as such outstanding shares are owned in full by Blockbuster or NYNEX, as the case may be.

Shares of Viacom Preferred Stock will be convertible at any time at the option of the holders thereof into shares of Viacom Class B Common Stock at a conversion price of $70 per share of Viacom Class B Common Stock (equivalent to a conversion rate of 0.3571 shares of Viacom Class B Common Stock for each share of Series A Preferred Stock and 0.7143 for each share of Series B Preferred Stock), subject to customary adjustments. Holders of Viacom Preferred Stock will have no preemptive rights with respect to any shares of Viacom Common Stock or any other Viacom securities convertible into or carrying rights or options to purchase any such shares.

SERIES C PREFERRED STOCK

Pursuant to the Paramount Merger and the terms of the Viacom Merger Debentures, Viacom has reserved for issuance a new series of preferred stock, the Series C Preferred Stock. If issued, the

Series C Preferred Stock would be fully paid and nonassessable. The holders of the Series C Preferred Stock would have no preemptive rights with respect to any shares of Viacom Common Stock or any other securities of Viacom convertible into or carrying rights or options to purchase any such shares.

Ranking. If issued, the Series C Preferred Stock would rank senior to the Viacom Common Stock with respect to dividends and upon liquidation or winding up. If issued, the Series C Preferred Stock would rank equally with the Series A Preferred Stock and the Series B Preferred Stock as to dividends and the distribution of assets upon liquidation or winding up.

Dividends. Holders of shares of Series C Preferred Stock, if issued, would be entitled to receive, when, as and if declared by the Viacom Board, out of funds legally available for payment, cumulative cash dividends at the rate per annum of $2.50 per share until the tenth anniversary of the Paramount Effective Time, and at the rate per annum of $5.00 per share thereafter. Dividends shall accrue and be cumulative from the later of the Paramount Effective Time and the latest date through which interest had been paid on the Viacom Merger Debentures, whether or not in any dividend period or periods there shall be funds legally available for the payment of such dividends. Dividends on the Series C Preferred Stock would be payable quarterly on the first business day of January, April, July and October of each year, commencing on the first such date following issuance of the Series C Preferred Stock, or at such additional times and for such interim periods, if any, as determined by the Viacom Board. Each such dividend will be payable in arrears to holders of record as they appear on the stock records of Viacom at the close of business on such record dates, not exceeding 60 days preceding the payment dates thereof, as shall be fixed by the Viacom Board. Accrued and unpaid dividends shall accrue interest at the Base Rate as announced from time to time by Citibank, N.A. The amount of dividends payable on the Series C Preferred Stock for each full dividend period shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for the initial dividend period on the Series C Preferred Stock, or any other period shorter or longer than a full dividend period shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

So long as any shares of Series C Preferred Stock are outstanding, no dividends, except as described below, may be declared or paid or set apart for payment on any class or series of stock of Viacom ranking, as to dividends, on a parity with the Series C Preferred Stock, nor shall any such shares be redeemed or purchased by Viacom or any subsidiary, unless full cumulative dividends on the Series C Preferred Stock have been declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment. When dividends are not paid in full or a sum sufficient for such payment is not set apart on the shares of the Series C Preferred Stock and any other class or series of stock ranking on a parity as to dividends with the Series C Preferred Stock, all dividends declared on the Series C Preferred Stock and on such other stock shall be declared pro rata so that the amounts of dividends per share declared on the Series C Preferred Stock and on such other stock shall in all cases bear to each other the same ratio that the accrued dividends per share on the shares of Series C Preferred Stock and such other stock bear to each other.

So long as any shares of Series C Preferred Stock are outstanding, neither Viacom nor any subsidiary may (i) declare or pay or set apart for payment any dividend or other distribution with respect to any junior stock of Viacom or (ii) redeem or set apart funds for the purchase, redemption or other acquisition of any junior stock, unless (A) all accrued and unpaid dividends with respect to the Series C Preferred Stock and any of the stock ranking on a parity with such stock as to dividends or upon liquidation ("Parity Stock") at the time such dividends are payable have been paid or funds have been set apart for payment of such dividends and (B) sufficient funds have been set apart for the payment of the dividend for the current dividend period with respect to the Series C Preferred Stock and any Parity Stock.

As used herein, (i) the term "dividend" does not include dividends payable solely in shares of junior stock on junior stock, or options, warrants or rights to holders of junior stock to subscribe for or purchase any junior stock, and (ii) the term "junior stock" means the Viacom Common Stock and any

other class of capital stock of Viacom now or hereafter issued and outstanding that ranks junior as to dividends and upon liquidation to the Series C Preferred Stock.

Redemption. Shares of Series C Preferred Stock may not be redeemed by Viacom prior to the fifth anniversary of the Paramount Effective Time, after which date the shares of such stock will be redeemable at the option of Viacom, in whole or in part, at any time or from time to time, out of funds legally available therefor, at the redemption prices set forth below, plus in each case an amount equal to accrued and unpaid dividends, if any, to the redemption date, whether or not earned or declared.

IF REDEEMED DURING THE 12-MONTH PERIOD BEGINNING ON THE ANNIVERSARY OF THE PARAMOUNT EFFECTIVE TIME INDICATED BELOW	REDEMPTION PRICE FOR SERIES C PREFERRED STOCK
Fifth	$ 52.50
Sixth	$ 52.00
Seventh	$ 51.50
Eighth	$ 51.00
Ninth	$ 50.50
Tenth and thereafter	$ 50.00

If fewer than all of the shares of Series C Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata or in some other equitable manner determined by Viacom. If fewer than all the shares represented by any certificate are redeemed, a new certificate will be issued representing the unredeemed shares without cost to the holder thereof. No fractional shares will be issued upon redemption, but an adjustment in cash will be made in respect of any fraction of an unredeemed share which would otherwise be issuable.

In the event that full cumulative dividends on the Series C Preferred Stock and any other class or series of stock ranking, as to dividends, on a parity with the Series C Preferred Stock have not been paid or declared and set apart for payment, the Series C Preferred Stock may not be redeemed in part and Viacom may not purchase or acquire shares of Series C Preferred Stock or such other stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series C Preferred Stock and such other stock.

On and after the date fixed for redemption, provided that the redemption price (including any accrued and unpaid dividends to the date fixed for redemption) has been duly paid or provided for, dividends shall cease to accrue on the Series C Preferred Stock called for redemption, such shares shall no longer be deemed to be outstanding and all rights of the holders of such shares as stockholders of Viacom shall cease except the right to receive from Viacom the redemption price without interest thereon after the redemption date and any cash adjustment in lieu of fractional unredeemed shares.

Liquidation Preference. In the event of any liquidation, dissolution or winding up of Viacom, whether voluntary or involuntary, before any payment or distribution of the assets of Viacom (whether capital or surplus) shall be made to or set apart for the holders of junior stock, upon liquidation, dissolution or winding up, the holders of the shares of Series C Preferred Stock shall be entitled to receive $50.00 per share (the "liquidation preference") plus an amount equal to all dividends (whether or not earned or declared) accrued and accumulated and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of Viacom, the assets of Viacom, or proceeds thereof, distributable among the holders of the shares of Series C Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidation payments on any other shares of stock ranking, as to liquidation, dissolution or winding up, on a parity with the Series C Preferred Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series C Preferred Stock and any such other stock ratably in accordance with the respective amounts which would be payable on such shares of Series C Preferred Stock and any such other stock if all amounts payable thereon were paid in full. Neither a consolidation or merger of Viacom with another corporation nor a sale or transfer of all or substantially all of Viacom's assets nor a statutory share exchange will be considered a liquidation, dissolution or winding up, voluntary or involuntary, of Viacom.

Voting Rights. Except as indicated below, or except as otherwise from time to time required by applicable law, the holders of shares of Series C Preferred Stock will have no voting rights.

Whenever dividends payable on Series C Preferred Stock shall be in arrears for such number of dividend periods which shall in the aggregate contain not less than 360 days, the number of directors of Viacom will be increased by two and the holders of Series C Preferred Stock, voting together as a class with the holders of any other class or series of Parity Stock upon which like voting rights have been conferred and are exercisable, will have the right to elect two additional directors to the Viacom Board at Viacom's next annual meeting of stockholders and at each subsequent annual meeting until all such dividends on such series have been paid in full. At elections of such directors, each holder of Series C Preferred Stock shall be entitled to one vote per share. Upon any termination of the right of the holders of such series to vote for directors as provided above, the term of office of all directors then in office, elected by such series, shall terminate immediately.

The approval of two-thirds of the outstanding shares of Series C Preferred Stock shall be required in order to amend the Restated Certificate of Incorporation of Viacom to affect materially and adversely the rights, preferences or voting powers of the holders of such series of stock or to authorize, create, issue or increase the authorized or issued amount of, any class of stock having rights senior or superior with respect to dividends and upon liquidation to such series; provided, however, that any increase in the amount of authorized preferred stock or the creation and issuance of other series of preferred stock, or any increase in the amount of authorized shares of such series or of any other series of preferred stock, in each case ranking on a parity with or junior to the Series C Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences or voting powers.

Exchangeability of Series C Preferred Stock. The Series C Preferred Stock is exchangeable in whole, or in part, at the option of Viacom, for Viacom Exchange Debentures on any scheduled dividend payment date beginning on or after the third anniversary of the Paramount Effective Time. Holders of Series C Preferred Stock so exchanged will be entitled to receive $50.00 principal amount of Viacom Exchange Debentures for each share of Series C Preferred Stock held by such holders at the time of exchange plus an amount per share in cash equal to all accrued and unpaid dividends thereon to the date of exchange (the "Series C Exchange Date"). The Viacom Exchange Debentures will be issuable only in registered form and in denominations of $1,000 and integral multiples thereof. See "Description of Viacom Debentures." An amount in cash will be paid to holders for any principal amount otherwise issuable which is less than $1,000. Viacom will mail written notice of its intention to exchange to each holder of record of the Series C Preferred Stock not less than 10 nor more than 60 days prior to the date fixed for exchange.

Upon the Series C Exchange Date, the rights of holders of Series C Preferred Stock as stockholders of Viacom shall cease (except the right to receive the Viacom Exchange Debentures, any accrued and unpaid dividends to but not including the Series C Exchange Date, and any cash adjustment in lieu of any principal amount less than $1,000) and the shares of Series C Preferred Stock so exchanged no longer will be deemed outstanding. If full cumulative dividends on the shares of Series C Preferred Stock to be exchanged have not been paid to the Series C Exchange Date, or funds set aside to provide for payment in full of the dividends, Viacom may not exchange the Series C Preferred Stock for the Viacom Exchange Debentures.

Listing. Viacom has agreed to use its reasonable best efforts to cause the shares of Series C Preferred Stock to be approved for listing on the AMEX prior to the issuance thereof.

DESCRIPTION OF VIACOM DEBENTURES

GENERAL. The Viacom Merger Debentures and the Viacom Exchange Debentures (collectively, the "Viacom Debentures") will be issued under an Indenture (the "Indenture"), between Viacom and Harris Trust and Savings Bank, as trustee (the "Trustee"), which will be subject to and governed by the Trust Indenture Act of 1939, as amended (the "TIA"). The Viacom Debentures will be general unsecured junior subordinated obligations of Viacom and will be issued in registered form without coupons in denominations of $1,000 and integral multiples thereof.

As indicated under "Subordination" below, the Viacom Debentures will be subordinated and subject in right of payment to the prior payment in full of all Senior Obligations of Viacom.

The following summary of certain provisions of the Indenture and the Viacom Debentures does not purport to be complete and is subject to and qualified in its entirety by reference to the Indenture and the Viacom Debentures, including the definitions therein of terms not defined in this Proxy Statement/Prospectus. The definitions of certain capitalized terms used in the following summary are set forth below under "Certain Definitions." A copy of the Indenture, including the form of the Viacom Merger Debentures and the form of the Viacom Exchange Debentures, is filed as an exhibit to the Registration Statement, of which this Proxy Statement/Prospectus forms a part. Section references used in this section of the Proxy Statement/Prospectus refer to sections of the Indenture.

SUBORDINATION. The payment of the principal of and interest on the Viacom Debentures is subordinated in right of payment, to the extent set forth in the Indenture, to the prior payment in full of all Senior Obligations of Viacom, as that term is defined in the Indenture. (Section 101) By reason of such subordination, in the event of the insolvency of Viacom, creditors of Viacom who are not holders of Senior Obligations of Viacom may recover less ratably than holders of Senior Obligations of Viacom and may recover more or less ratably than Holders of the Viacom Debentures and Viacom may be unable to make all payments due under the Viacom Debentures. There are no restrictions in the Indenture on the amount of Senior Obligations or any other indebtedness that may be issued by Viacom, and the Viacom Debentures will be subordinated to substantially all future indebtedness of Viacom and effectively subordinated to all indebtedness and other liabilities of subsidiaries of Viacom. Upon any distribution of the assets of Viacom upon any dissolution, winding up, liquidation, or reorganization of Viacom, the holders of Senior Obligations of Viacom will be entitled to receive payment in full before holders of the Viacom Debentures are entitled to receive any payment. (Section 1302)

"Senior Obligations" means with respect to any Person, without duplication, (i) all indebtedness of such Person for borrowed money, including all obligations of Viacom under its bank credit facilities, or for the deferred purchase price of property or services, (ii) all indebtedness of such Person evidenced by bonds, notes, debentures or other instruments of indebtedness, including, without limitation, all obligations, contingent or otherwise, of such Person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities, and interest rate contracts, (iii) trade credit arising in the ordinary course of business and all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (iv) all Capitalized Lease Obligations of such Person, (v) all Senior Obligations referred to in (but not excluded from) clause (i), (ii), (iii) or (iv) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Senior Obligations has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Senior Obligations, (vi) all liabilities that such Person has guaranteed or that is otherwise its legal liability, other than endorsements for collection or deposit, in either case in the ordinary course of business, or any obligation or liability of such Person in respect of leasehold interests assigned by such Person to any

other Person, (vii) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (i) through (vi) above, unless, in the case of any particular indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such indebtedness shall not be senior in right of payment to the Viacom Debentures. Notwithstanding the foregoing, "Senior Obligations" shall not include indebtedness evidenced by the Viacom Debentures. (Section 101)

If (a) in the event and during the continuation of any default in the payment of principal of (or premium, if any) or interest on any Senior Obligations of Viacom beyond any applicable grace period with respect thereto, or in the event that any nonpayment event of default with respect to any Senior Obligations of Viacom shall have occurred and be continuing and shall have resulted in such Senior Obligations becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, or (b) in the event that any other nonpayment event of default with respect to any Senior Obligations of Viacom shall have occurred and be continuing permitting the holders of such Senior Obligations (or a trustee on behalf of the holders thereof) to declare such Senior Obligations due and payable prior to the date on which it would otherwise have become due and payable, then no payment, direct or indirect (including any payment which may be payable by reason of the payment of any other indebtedness of Viacom being subordinated to the payment of the Viacom Debentures), shall be made by Viacom on account of principal of (or premium, if any) or interest on the Viacom Debentures or on account of the purchase or redemption or other acquisition of Viacom Debentures (x) in case of any payment or nonpayment event of default specified in (a), unless and until (A) such event of default shall have been cured or waived or shall have ceased to exist or such acceleration shall have been rescinded or annulled or (B) the Senior Obligations in respect of which such declaration of acceleration has occurred is discharged, (y) in case of any nonpayment event of default specified in (b), from the earlier of the dates Viacom and the Trustee receive written notice of such event of default from an Agent Bank or any other representative of a holder of Senior Obligations of Viacom until the earlier of (A) 180 days after such date and (B) the date, if any, on which the Senior Obligations to which such default relates are discharged or such default is waived by the holders of such Senior Obligations or otherwise cured (provided that further written notice relating to the same Senior Obligations received by Viacom or the Trustee within 12 months after such receipt shall not be effective for purposes of this clause (y)) or (z) in case of any payment or nonpayment event of default specified in clause (a) or (b), as long as any judicial proceeding is pending with respect to such event. (Section 1303)

If Viacom fails to make any payment on the Viacom Debentures when due or within any applicable grace period, whether or not on account of the payment blockage provisions referred to above, such failure would constitute an Event of Default under the Indenture and would enable the holders of the Viacom Debentures to accelerate the maturity thereof. See "--Events of Default."

As a holding company, Viacom is dependent on dividends or other intercompany transfers of funds from its subsidiaries to meet its debt service and other obligations. Claims of creditors of Viacom's subsidiaries, including trade creditors, will generally have priority as to the assets of such subsidiaries over the claims of Viacom and the holders of Viacom's indebtedness and other obligations, including the Viacom Debentures. When issued, the Viacom Debentures will be subordinate in right of payment to all then existing indebtedness of Viacom, as shown on its consolidated financial statements, including the notes thereto, which are incorporated by reference in this Proxy Statement/Prospectus.

The Viacom Debentures will be effectively subordinated to all indebtedness and other liabilities, including current liabilities and commitments under leases, if any, of Viacom's subsidiaries. Any right of Viacom to receive assets of any of its subsidiaries upon liquidation or reorganization of the subsidiary (and the consequent right of the holders of the Viacom Debentures to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors (including trade creditors), except to the extent that Viacom is itself recognized as a creditor of such subsidiary, in which case the claims of Viacom would still be subordinated to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by Viacom.

COVENANTS. The Indenture contains covenants of Viacom with respect to the following matters: (i) payment of principal, premium, if any, and interest (Section 1001); (ii) maintenance of an office or agency (Section 1002); (iii) arrangements regarding the handling of money for security payments to be held in trust (Section 1003); (iv) maintenance of corporate existence (Section 1004); and (v) provision of compliance certificates. (Section 1005)

EVENTS OF DEFAULT. The following are Events of Default under the Indenture:

(i) default in the payment of any interest on any Viacom Debenture when it becomes due and payable, and continuance of such default for a period of 30 days whether or not such payment shall be prohibited by the subordination provisions of the Indenture; or

(ii) default in the payment of the principal of (or premium, if any, on) any Viacom Debenture at its Maturity, upon acceleration, redemption or when otherwise due and payable, whether or not such payment shall be prohibited by the subordination provisions of the Indenture; or

(iii) default in the payment of any redemption payment on any Viacom Debenture when it becomes due and payable, and continuance of such default for a period of 30 days whether or not such payment shall be prohibited by the subordination provisions of the Indenture; or

(iv) default in the performance, or breach, of any covenant or warranty of Viacom in the Indenture (other than a default in the performance, or breach, of a covenant or warranty a default which is specifically dealt with elsewhere in the Indenture), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to Viacom and the Agent Bank by the Trustee or to Viacom, the Trustee and the Agent Bank by the Holders of at least 25% in principal amount of the Outstanding Viacom Debentures a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture; or

(v) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of Viacom or any Subsidiary of Viacom in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging Viacom or any such Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of Viacom or any such Subsidiary under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of Viacom or any such Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; provided that, in the case of any such Subsidiary, the entry of such a decree or order shall not constitute an Event of Default under the Indenture unless the claims of such Subsidiary's creditors shall, in the aggregate, be in excess of $100 million; or

(vi) the commencement by Viacom or any Subsidiary of Viacom of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of Viacom or any such Subsidiary in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of Viacom or any such Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due or the taking of corporate

action by Viacom or any such Subsidiary in furtherance of any such action; provided that, in the case of any such Subsidiary, none of the foregoing actions shall constitute an Event of Default under the Indenture unless the claims of such Subsidiary's creditors shall, in the aggregate, be in excess of $100 million. (Section 501)

If an Event of Default (other than an Event of Default specified in (v) or (vi) above) occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Viacom Debentures may, and the Trustee at the request of such Holders shall, declare due and payable immediately the unpaid principal of (and premium, if any) and accrued interest in respect of each Viacom Debenture then Outstanding (the "Default Amount"). Upon any such declaration, the Default Amount shall become due and payable on all Outstanding Viacom Debentures (i) if no Credit Agreement is in effect, immediately, or (ii) if any Credit Agreement is in effect, upon the first to occur of (a) an acceleration under such Credit Agreement and (b) the fifth business day after receipt by Viacom and by the Agent Bank of written notice of such declaration unless (in the absence of an acceleration under the Credit Agreement) on or prior to such fifth business day Viacom shall have discharged the indebtedness, if any, that is the subject of such Event of Default or otherwise cured the default relating to such Event of Default and shall have given written notice of such discharge or cure to the Trustee and the Agent Bank. Notwithstanding any other provision of the Indenture relating to acceleration of maturity, rescission and annulment, if an Event of Default specified in (v) or (vi) above occurs, then the Default Amount on the Viacom Debentures then Outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. (Section 502)

At any time after such a declaration of acceleration, with respect to Viacom Debentures has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the Holders of a majority in principal amount of the Outstanding Viacom Debentures may, under certain circumstances, rescind or annul such declaration and its consequences if Viacom (without violating the subordination provisions of the Indenture) has paid or deposited with the Trustee a sum sufficient to pay all overdue interest and other required amounts and if all Events of Default, other than the nonpayment of accelerated principal, premium, if any, and interest, have been cured or waived as provided in the Indenture. (Section 502) The Holders of not less than a majority in principal amount of the Viacom Debentures then Outstanding also have the right to waive any past Default under the Indenture, except a Default (a) in the payment of principal of, premium, if any, or interest on, any Viacom Debenture or (b) in respect of any other provision of the Indenture that cannot be modified or amended without the consent of the Holder of each Outstanding Viacom Debenture affected thereby. (Section 513)

No Holder of any Viacom Debenture shall have any right to institute any proceeding with respect to such Indenture, or for the appointment of a receiver or trustee, or for any remedy thereunder, unless (i) such Holder has previously given to the Trustee written notice of a continuing Event of Default with respect to the Viacom Debentures, (ii) the Holders of at least 25% in principal amount of the Outstanding Viacom Debentures have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as Trustee under the Indenture, (iii) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding and (iv) the Trustee has not received from the Holders of a majority in principal amount of the Outstanding Viacom Debentures during such 60-day period a direction inconsistent with such request. (Section 507) Such limitations do not apply, however, to a suit instituted by a holder of a Viacom Debenture for the enforcement of payment of the principal of, premium, if any, or interest on, such Viacom Debenture on or after the respective due dates expressed in such Viacom Debenture. (Section 508)

During the existence of an Event of Default, the Trustee is required to exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise thereof as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of

Default shall occur and be continuing, the Trustee is not under any obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders shall have offered the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. (Section 602) Subject to certain provisions concerning the rights of the Trustee, the Holders of a majority in principal amount of the Outstanding Viacom Debentures have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee under the Indenture. (Section 512)

Viacom is required to furnish to the Trustee annual statements as to the performance by Viacom of its obligations under the Indenture. Viacom is also required, so long as any of the Viacom Debentures are Outstanding, to notify the Trustee of the occurrence of any default. (Section 1005)

DEFEASANCE OR COVENANT DEFEASANCE OF INDENTURE. Viacom may, at its option and at any time, elect to defease and have the obligations of Viacom discharged with respect to the Outstanding Viacom Debentures ("defeasance"). Such defeasance means that Viacom shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Viacom Debentures and to have satisfied all other obligations under such Viacom Debentures and the Indenture, except for (i) the rights of Holders of the Outstanding Viacom Debentures to receive, solely from the trust fund described below, payments of the principal of, premium, if any, and interest on such Viacom Debentures when such payments are due, (ii) Viacom's obligations with respect to such Viacom Debentures concerning issuing temporary Viacom Debentures, registration of Viacom Debentures, replacement of mutilated, destroyed, lost or stolen Viacom Debentures and the maintenance of an office or agency for payment and money for security payments held in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee under the Indenture, and (iv) the defeasance provisions of the Indenture. (Section 1202) In addition, Viacom may, at its option and at any time, elect to have its obligations released with respect to certain covenants that are described in the Indenture with respect to the Outstanding Viacom Debentures ("covenant defeasance") and any omission to comply with such obligations shall not constitute a Default or an Event of Default with respect to the Viacom Debentures. (Section 1203)

In order to exercise either defeasance or covenant defeasance, (i) Viacom shall irrevocably deposit with the Trustee, as trust funds in trust for the purpose of making the following payments, specifically pledged as security for the benefit of and dedicated solely to the Holders of such Viacom Debentures, money, U.S. Government Obligations (as defined in the Indenture), or a combination thereof, in such amount as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay and discharge (a) each installment of the principal of (and premium, if any, on) and interest on the Outstanding Viacom Debentures to Stated Maturity of each such installment of principal and interest on the day on which such payments are due and payable in accordance with the terms of the Indenture and (b) any mandatory sinking fund payments or analogous payments applicable to the Outstanding Viacom Debentures on the due dates thereof; (ii) Viacom shall have delivered to the Trustee an opinion of counsel to the effect that the Holders of the Outstanding Viacom Debentures will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or covenant defeasance, as the case may be, and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance, as the case may be, had not occurred; (iii) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as clauses (v) and (vi) under the first paragraph under "--Events of Default" is concerned, at any time during the period ending on the 91st day after the date of deposit or, if longer, ending on the day following the expiration of the longest preference period applicable to Viacom in respect of such deposit; (iv) such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which Viacom is a party or by which it is bound; (v) such defeasance or covenant defeasance shall not (a) cause the Trustee to have a conflicting interest as defined in TIA Section 310(b) or otherwise for purposes of the TIA with respect to any securities of Viacom or

(b) result in the trust arising from such deposit to constitute, unless it is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended, (vi) such defeasance or covenant defeasance shall not cause any Viacom Debentures then listed on any registered securities exchange under the Exchange Act to be delisted, and (vii) Viacom shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent and subsequent provided for relating to either the defeasance or the covenant defeasance, as the case may be, have been complied with. (Section 1204)

SATISFACTION AND DISCHARGE. The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of Viacom Debentures, as expressly provided for in the Indenture) as to all Outstanding Viacom Debentures issued under the Indenture when either (i) such Viacom Debentures theretofore authenticated and delivered (except lost, stolen or destroyed Viacom Debentures which have been replaced or paid and Viacom Debentures for whose payment money has theretofore been deposited in trust and thereafter repaid or discharged from such trust as provided in the Indenture) have been delivered to the Trustee for cancellation or (ii) all such Viacom Debentures not theretofore delivered to the Trustee for cancellation have become due and payable, or will become due and payable or are to be called for redemption within one year, and in the case of (ii), Viacom has irrevocably deposited or caused to be deposited with the Trustee solely for the benefit of the Holders of Viacom Debentures money or U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient to pay and discharge the entire indebtedness on such Viacom Debentures for principal (and premium, if any) and interest to the date of such deposit (if such Viacom Debentures are then due and payable) or to the applicable maturity or redemption date (as the case may be), and Viacom has paid all sums payable by it under the Indenture. In addition, Viacom must deliver to the Trustee an officer's certificate and an opinion of counsel stating that all conditions precedent to satisfaction and discharge have been complied with. (Section 401)

CONSOLIDATION, MERGER AND SALE OF ASSETS. The Indenture provides that Viacom may, without the consent of the Holders of any of the Outstanding Viacom Debentures, consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any corporation, partnership or trust organized under the laws of the United States of America, any state thereof or the District of Colombia, provided that (i) the successor Person assumes through a supplemental indenture Viacom's obligations under the Viacom Debentures and the Indenture, (ii) immediately after giving pro forma effect to the transaction, there exists no Event of Default and (iii) Viacom delivers to the Trustee an officer's certificate regarding compliance with the foregoing. Solely for purposes of this paragraph, "convey, transfer or lease its properties and assets substantially as an entirety" shall mean properties and assets contributing in the aggregate at least 80% of Viacom's total revenues as reported in Viacom's last available periodic financial report (quarterly or annual, as the case may be) filed with the Commission. (Section 801)

MODIFICATION OR WAIVER. Modification and amendment of the Indenture may be made by Viacom and the Trustee with the consent of the Holders of not less than a majority in principal amount of all Outstanding Viacom Debentures, provided that no such modification or amendment may, without the consent of the Holder of each Outstanding Viacom Debenture, among other things: (i) change the Stated Maturity of the principal of or any installment of principal of or interest on any Viacom Debenture; (ii) reduce the principal amount or the rate of interest on, or any premium payable upon the redemption of, any Viacom Debenture; (iii) impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof or any Redemption Date therefor; (iv) reduce the above-stated percentage of Holders of Outstanding Viacom Debentures, as the case may be, necessary to modify or amend the Indenture or to consent to any waiver thereunder or (v) modify any of the provisions of the Indenture relating to the subordination of the Viacom Debentures in a manner adverse to the Holders thereof. (Section 902)

Modification and amendment of the Indenture may be made by Viacom and the Trustee without the consent of any Holder, for any of the following purposes: (i) to evidence the succession of another

Person to Viacom as obligor under the Indenture; (ii) to add to the covenants of Viacom for the benefit of the Holders or to surrender any right or power conferred upon Viacom in the Indenture; (iii) to add additional Events of Default; (iv) to provide for the acceptance of appointment by a successor Trustee; or (v) to cure any ambiguity, defect or inconsistency in the Indenture, provided such action does not adversely affect the interest of Holders in any material respect. (Section 901)

CERTAIN DEFINITIONS. Set forth below is a summary of certain defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Agent Bank" means any agent or agents from time to time under the Credit Agreement, or any successor or successors thereto.

"Capitalized Lease Obligation" means any obligation to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal property that is required to be classified and accounted for as a capital lease obligation under generally accepted accounting principles, and, for the purposes of the Indenture, the amount of such obligation at any date shall be the capitalized amount thereof at such date, determined in accordance with such principles.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock whether or not outstanding or issued after the date of the Indenture.

"Credit Agreement" means any credit agreement under which Viacom is a borrower, in the principal amount of at least $100 million.

"Lien" means any pledge, mortgage, lien, encumbrance or other security interest.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other entity.

"Redeemable Capital Stock" means any Capital Stock that either by its terms, by the terms of any security into which it is convertible or exchangeable or otherwise, (i) is or upon the happening of an event or passage of time would be required to be redeemed on or prior to the final Stated Maturity of the Securities or (ii) is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity, or (iii) is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity.

"Stated Maturity", when used with respect to any Viacom Debenture or any installment of principal thereof or interest thereon, means the date specified in such Viacom Debenture as the fixed date on which the principal of such Viacom Debenture or such installment of principal or interest is due and payable.

TRADING/LISTING. The Viacom Merger Debentures have been approved for listing on the AMEX, subject to official notice of issuance and stockholder approval. The Viacom Merger Debentures will be traded on the AMEX under the symbol VIA.D.

THE TRUSTEE. Harris Trust and Savings Bank will serve as trustee under the Indenture.

VIACOM MERGER DEBENTURES. The Viacom Merger Debentures will be limited to the aggregate principal amount set forth in the Indenture and will mature 12 years from the Paramount Effective Time.

Interest. The Viacom Merger Debentures will bear interest from the Paramount Effective Time or from the most recent Interest Payment Date to which interest has been paid, at a rate of 8% per annum, payable semi-annually on January 15 and July 15 (each an "Interest Payment Date") of each year, commencing on January 1, 1995, to holders of record at the close of business on the January 1 and

July 1 next preceding each Interest Payment Date, except that the initial record date will be December 15, 1994. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Payment of the principal of (and premium, if any, on) and interest on Viacom Merger Debentures will be made at the office or agency of Viacom maintained for that purpose in The City of New York, or at such other office or agency of Viacom as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of Viacom (i) by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register or (ii) by transfer to an account maintained by the payee located in the United States.

Optional Redemption. The Viacom Merger Debentures may not be redeemed prior to the fifth anniversary of the Paramount Effective Time. On or after that date, Viacom may, at its option, redeem the Viacom Merger Debentures, in whole or in part, from time to time, at the redemption prices (expressed as a percentage of principal amount) set forth below, together with accrued and unpaid interest, if any, to the redemption date:

IF REDEEMED DURING THE 12 MONTH PERIOD BEGINNING ON THE ANNIVERSARY OF THE PARAMOUNT EFFECTIVE DATE INDICATED BELOW	PERCENTAGE
Fifth	103%
Sixth	102%
Seventh	101%
Eighth and thereafter	100%

The Viacom Merger Debentures are not subject to any mandatory redemption and are not entitled to any sinking fund.

Notice of redemption will be mailed at least 30 days, but not more than 60 days, before the redemption date to each Holder of Viacom Merger Debentures to be redeemed. (Section 1104) If less than all of the Viacom Merger Debentures are to be redeemed, the Trustee shall select the Viacom Merger Debentures to be redeemed by such method that the Trustee considers fair and appropriate, provided such method complies with the rules of any national securities exchange or quotation system on which the Viacom Merger Debentures are then listed, and which may provide for the selection for redemption of portions of the principal of Viacom Merger Debentures; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Viacom Merger Debenture not redeemed to less than $1,000. (Section 1103)

Exchange for Series C Preferred Stock. Viacom may, at its option, on or after the earlier of (i) January 1, 1995, but only if the Blockbuster Merger has not been consummated by such date, and (ii) the acquisition by a third party of beneficial ownership of a majority of the outstanding voting securities of Blockbuster, exchange the Viacom Merger Debentures, in whole but not in part, for shares of Viacom's Series C Preferred Stock. Holders of Viacom Merger Debentures so exchanged will be entitled to receive one fully paid and nonassessable share of Series C Preferred Stock for each $50 in principal amount of Viacom Merger Debentures. At the time of the exchange of the Series C Preferred Stock for the Viacom Merger Debentures, all accrued and unpaid interest on the Viacom Merger Debentures will not be paid and the dividends on the Series C Preferred Stock will be deemed to have accrued from the later of the Paramount Effective Time and the latest date through which interest has been paid on the Viacom Merger Debentures. (Section 1401)

VIACOM EXCHANGE DEBENTURES. The Viacom Exchange Debentures will be limited in aggregate principal amount to an amount equal to the aggregate liquidation preference of the Series C Preferred Stock exchanged and will mature 20 years from the Paramount Effective Time.

Interest. The Viacom Exchange Debentures will bear interest from the date on which the Viacom Exchange Debentures are issued in exchange for the outstanding shares of Series C Preferred Stock (the "Exchange Date"), payable semi-annually on January 15 and July 15 (each an "Interest Payment Date") of each year, commencing on the first such date after the Exchange Date, at the rate of 5% per

annum until the tenth anniversary of the Paramount Effective Time and, thereafter, at the rate of 10% per annum, to holders of record at the close of business on the January 1 and July 1 next preceding each Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Payment of the principal of (and premium, if any, on) and interest on Viacom Exchange Debentures will be made at the office or agency of Viacom maintained for that purpose in The City of New York, or at such other office or agency of Viacom as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of Viacom (i) by check mailed to the address of the Person entitled hereto as such address shall appear on the Security Register or (ii) by transfer to an account maintained by the payee located in the United States.

Optional Redemption. The Viacom Exchange Debentures may not be redeemed prior to the fifth anniversary of the Paramount Effective Time. On or after that date, Viacom may, at its option, redeem the Viacom Exchange Debentures, in whole or in part, from time to time, at the redemption prices (expressed as a percentage of principal amount) set forth below, together with accrued and unpaid interest, if any, to the redemption date:

IF REDEEMED DURING THE 12 MONTH PERIOD BEGINNING ON THE ANNIVERSARY OF THE PARAMOUNT EFFECTIVE DATE INDICATED BELOW	PERCENTAGE
Fifth	105%
Sixth	104%
Seventh	103%
Eighth	102%
Ninth	101%
Tenth and thereafter	100%

The Viacom Exchange Debentures are not subject to any mandatory redemption and are not entitled to any sinking fund.

Notice of redemption will be mailed at least 30 days, but not more than 60 days, before the redemption date to each Holder of Viacom Exchange Debentures to be redeemed. (Section 1104) If less than all of the Viacom Exchange Debentures are to be redeemed, the Trustee shall select the Viacom Exchange Debentures to be redeemed by such method that the Trustee considers fair and appropriate, provided such method complies with the rules of any national securities exchange or quotation system on which the Viacom Exchange Debentures are then listed, and which may provide for the selection for redemption of portions of the principal of Viacom Exchange Debentures; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Viacom Exchange Debenture not redeemed to less than $1,000. (Section 1103)

COMPARISON OF STOCKHOLDER RIGHTS

The following is a summary of material differences between the rights of holders of Viacom Common Stock and the rights of holders of Paramount Common Stock. As each of Viacom and Paramount is organized under the laws of Delaware, these differences arise principally from provisions of the charter and by-laws of each of Viacom and Paramount, as well as the existence of Paramount's Rights Agreement.

The following summaries do not purport to be complete statements of the rights of Viacom stockholders under Viacom's Restated Certificate of Incorporation and By-laws as compared with the rights of Paramount stockholders under Paramount's Certificate of Incorporation, By-laws and Rights Agreement or a complete description of the specific provisions referred to herein. The identification of specific differences is not meant to indicate that other equal or more significant differences do not exist. These summaries are qualified in their entirety by reference to the DGCL and governing corporate instruments of Viacom and Paramount, to which stockholders are referred. The terms of Viacom's capital stock are described in greater detail under "Description of Viacom Capital Stock."

STOCKHOLDER VOTE REQUIRED FOR CERTAIN TRANSACTIONS

Powers and Rights of Viacom Class A Common Stock and Viacom Class B Common Stock. Except as otherwise expressly provided below, all issued and outstanding shares of Viacom Class A Common Stock and Viacom Class B Common Stock are identical and entitle the holders to the same rights and privileges. With respect to all matters upon which stockholders are entitled to vote, holders of outstanding shares of Viacom Class A Common Stock vote together with the holders of any other outstanding shares of capital stock of Viacom entitled to vote, without regard to class, and every holder of outstanding shares of Viacom Class A Common Stock is entitled to cast one vote in person or by proxy for each share of Viacom Class A Common Stock outstanding in such stockholder's name. Except as otherwise required by the DGCL, the holders of outstanding shares of Viacom Class B Common Stock are not entitled to any votes upon any questions presented to stockholders of Viacom.

Paramount Common Stock is not divided into classes and entitles holders thereof to one vote for each share on each matter upon which stockholders have the right to vote.

Certain Business Combinations. Viacom's Restated Certificate of Incorporation and By-laws do not contain any supermajority voting provisions or any other provisions relating to the approval of business combinations and other transactions by holders of Viacom Class A Common Stock.

Paramount's Certificate of Incorporation requires the affirmative vote of 80% of the voting power of the then outstanding shares of Voting Stock (as defined therein) to approve any merger or other Business Combination (as defined therein), which term includes a merger with an Interested Stockholder or an Affiliate of an Interested Stockholder (as defined therein), the sale, issuance or transfer of Paramount's assets or securities to an Interested Stockholder or an Affiliate of an Interested Stockholder in exchange for cash or securities or other property with a fair market value of $25 million or more, the adoption of a plan of liquidation and certain similar extraordinary corporate transactions which would have the effect of increasing the proportionate interest in Paramount of an Interested Stockholder or an Affiliate of an Interested Stockholder, unless (a) the transaction has been approved by a majority of the Disinterested Directors (as defined therein) or (b) the terms of the Business Combination and parties thereto satisfy certain specified tests and conditions.

Removal of Directors. Both Viacom's and Paramount's By-laws provide that any director may be removed with or without cause at any time by the affirmative vote of the holders of record of a majority of all the issued and outstanding stock entitled to vote for the election of directors at a special meeting of the stockholders called for that purpose. Viacom's By-laws also provide that any director may be removed for cause by the affirmative vote of a majority of the entire board of directors.

Amendments of Certificate of Incorporation. Viacom's Restated Certificate of Incorporation does not contain any supermajority voting provisions for the amendment thereof. Under the DGCL, unless otherwise specified in a corporation's Certificate of Incorporation, all amendments to such Certificate of Incorporation must be approved by the affirmative vote of holders of a majority of the shares of capital stock entitled to vote thereon, unless a class vote is required under the DGCL.

Paramount's Certificate of Incorporation provides that the affirmative vote of the holders of at least 80% of the voting power of all the shares of Paramount entitled to vote generally in the election of directors, voting together as a single class, is required to alter, amend or repeal Article XI, regarding business combinations, or Article XII, regarding the requirement that the holders of Paramount Common Stock can act only at annual or special meetings. Paramount reserves the right from time to time to alter, amend or repeal other provisions of the Paramount Certificate of Incorporation in the manner prescribed by the DGCL.

SPECIAL MEETINGS OF STOCKHOLDERS; STOCKHOLDER ACTION BY WRITTEN CONSENT

Viacom's By-laws provide that a special meeting of stockholders may be called by the affirmative vote of a majority of its Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President and shall be called by the Chairman of the Board, the Vice Chairman of the Board, the President or Secretary at the request in writing of the holders of record of at least 50.1% of the aggregate voting power of all outstanding shares of capital stock of Viacom entitled to vote generally in the election of directors, acting together as a single class.

Article XII of Paramount's Certificate of Incorporation provides that a special meeting of stockholders may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors or by the Chief Executive Officer of Paramount. The affirmative vote of 80% of the voting power of all the shares of Paramount entitled to vote generally in the election of directors, voting together as a single class, is required to alter, amend or repeal Article XII or to adopt any provision inconsistent therewith.

Viacom's Restated Certificate of Incorporation and By-laws do not set forth procedures regarding stockholder nomination of directors.

Article III, Section 15 of Paramount's By-laws provides that any stockholder may nominate candidates for election as directors of Paramount; provided, however, that not less than 60 days prior to the date of the anniversary of the annual meeting held in the prior year, in the case of an annual meeting, or, in the case of a special meeting called for the purpose of electing directors, not more than 10 days following the earlier of the date of notice of such special meeting or the date on which a public announcement of such meeting is made, any stockholder who intends to make a nomination at the meeting delivers written notice to the Secretary of Paramount setting forth (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of stock of Paramount specified in such notice, is or will be entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a statement that the nominee (or nominees) is willing to be nominated; and (iv) such other information concerning each such nominee as would be required under the rules of the Commission in a proxy statement soliciting proxies for the election of such nominee and in a Schedule 14B (or other comparable required filing then in effect) under the Exchange Act.

In addition to any other requirements relating to amendments to Paramount's By-laws, no proposal by any stockholder to repeal or amend Article III, Section 15 of Paramount's By-laws may be brought before any meeting of the stockholders of Paramount unless written notice is given of (i) such proposed repeal or the substance of such proposed amendment; (ii) the name and address of the stockholder who intends to propose such repeal or amendment; and (iii) a representation that the stockholder is a holder

of record of stock of Paramount specified in such notice, is or will be entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the proposal. Such notice must be given in the manner and at the time specified in Article III, Section 15 of Paramount's By-laws.

Viacom's By-laws provide that any action required to be taken at any annual or special meeting of stockholders of Viacom, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by stockholders representing not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of such action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Article XII of Paramount's Certificate of Incorporation prohibits the holders of Paramount Common Stock from acting by written consent in lieu of a meeting.

RIGHTS PLANS

Viacom. Viacom does not have a stockholder rights plan.

Paramount. The following is a description of the Rights Agreement. By unanimous written consent effective March 1, 1994, the Paramount Board approved an amendment to the Rights Agreement providing that the consummation of the Offer would not cause the Rights to become exerciseable.

On September 7, 1988, the Board of Directors of Paramount declared a dividend distribution of one Right for each outstanding share of Paramount's Common Stock. The distribution was paid as of September 19, 1988 to stockholders of record on that date. Each Right entitles the registered holder to purchase from Paramount one share of Paramount Common Stock at a purchase price of $200 per share (the "Purchase Price"). The Paramount Board has also authorized the issuance of one Right (subject to adjustment) with respect to each share of Paramount Common Stock that becomes outstanding between September 18, 1988 and the Distribution Date (as defined below). The following is a description of the Rights Agreement, as amended, and the Rights issued thereunder.

Until the close of business on the Distribution Date (which date shall not be deemed to have occurred solely by reason of: (x) the approval, execution or delivery of the Paramount Merger Agreement, (y) the acquisition of shares of Paramount Common Stock pursuant to the Offer, as defined in the Paramount Merger Agreement, or (z) the consummation of the Paramount Merger, as defined in the Paramount Merger Agreement, which will occur on the earlier of (i) the tenth day following a public announcement that a person or group of affiliated or associated persons (each, an "Acquiring Person" (which term shall not include Viacom or any of its affiliates which would otherwise become Acquiring Persons solely by reason of: (x) the approval, execution or delivery of the Paramount Merger Agreement, (y) the acquisition of shares of Paramount Common Stock pursuant to the Offer, as defined in the Paramount Merger Agreement, or (z) the consummation of the Paramount Merger, as defined in the Paramount Merger Agreement)) has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding Paramount Common Stock (the "Stock Acquisition Date" (which date shall not be deemed to have occurred solely by reason of: (x) the approval, execution or delivery of the Paramount Merger Agreement, (y) the acquisition of shares of Paramount Common Stock pursuant to the Offer, as defined in the Paramount Merger Agreement, or (z) the consummation of the Paramount Merger, as defined in the Paramount Merger Agreement)) or (ii) a date fixed by the Board of Directors of Paramount after the commencement of a tender offer or exchange offer which would result in the ownership of 30% or more of the outstanding Paramount Common Stock, the Rights will be represented by and transferred with, and only with, the Paramount Common Stock. Until the Distribution Date, new certificates issued for Paramount Common Stock after September 19, 1988 will contain a legend incorporating the Rights Agreement by reference, and the surrender for transfer of any

of Paramount's Common Stock certificates will also constitute the transfer of the Rights associated with Paramount Common Stock represented by such certificate. As soon as practicable following the Distribution Date, separate Right certificates will be mailed to holders of record of Paramount Common Stock as of the close of business on the Distribution Date, and thereafter the separate certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire at the earliest of (i) the close of business on September 30, 1998, (ii) the time at which the Rights are redeemed by Paramount as described below and (iii) immediately prior to the Effective Time of the Paramount Merger.

The Purchase Price payable, and the number of shares of Paramount Common Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the Paramount Common Stock, (ii) upon the grant to holders of the Paramount Common Stock of certain rights or warrants to subscribe for Paramount Common Stock or convertible securities at less than the current market price of the Common Stock or (iii) upon the distribution to holders of Paramount Common Stock of evidences of indebtedness or assets (excluding regular cash dividends and dividends payable in Paramount Common Stock) or of subscription rights or warrants (other than those referred to above).

Unless the Rights are earlier redeemed, in the event that, after the Stock Acquisition Date, Paramount was to be acquired in a merger or other business combination (in which any shares of Paramount's Common Stock are changed into or exchanged for other securities or assets) or more than 50% of the assets or earning power of Paramount and its subsidiaries (taken as a whole) were to be sold or transferred in one or a series of related transactions, the Rights Agreement provides that proper provision shall be made so that each holder of record of a Right will from and after such date have the right to receive, upon payment of the Purchase Price, that number of shares of common stock of the acquiring company having a market value at the time of such transaction equal to two times the Purchase Price.

In the event that any person becomes an Acquiring Person, each holder of a Right, other than the Acquiring Person, will have the right to receive, upon payment of the Purchase Price, a number of shares of Paramount Common Stock having a market value equal to twice the Purchase Price. To the extent that insufficient shares of Paramount Common Stock are available for the exercise in full of the Rights, holders of Rights will receive upon exercise shares of Paramount Common Stock to the extent available and then cash, property or other securities of Paramount (which may be accompanied by a reduction in the Purchase Price), in proportions determined by Paramount, so that the aggregate value received is equal to twice the Purchase Price. Rights are not exercisable following the Stock Acquisition Date until the expiration of the period during which the Rights may be redeemed as described below. Notwithstanding the foregoing, following the Stock Acquisition Date, Rights that are (and, under certain circumstances, Rights that were) beneficially owned by an Acquiring Person will be null and void.

No fractional shares of Paramount Common Stock or other Paramount securities will be issued upon exercise of the Rights and, in lieu thereof, a payment in cash will be made to the holder of such Rights equal to the same fraction of the current market value of a share of Paramount Common Stock or other Paramount securities.

At any time until ten days following the Stock Acquisition Date (subject to extension by the Board of Directors), the Board of Directors may cause Paramount to redeem the Rights in whole, but not in part, at a price of $.01 per Right, subject to adjustment (the "Redemption Price"). Immediately upon the action of the Board of Directors authorizing redemption of the Rights, the right to exercise the Rights will terminate, and the holders of Rights will only be entitled to receive the Redemption Price without any interest thereon.

For as long as the Rights are then redeemable, Paramount may, except with respect to the Redemption Price or the final date of expiration of the Rights, amend the Rights in any manner,

including an amendment to extend the time period in which the Rights may be redeemed. At any time when the Rights are not then redeemable, Paramount may amend the Rights in any manner that does not adversely affect the interests of holders of the Rights as such.

Until a Right is exercised, the holder, as such, will have no rights as a stockholder of Paramount, including, without limitation, the right to vote or to receive dividends.

TRANSACTIONS BY CERTAIN PERSONS IN PARAMOUNT COMMON STOCK

Since 60 days prior to the initial filing of the Schedule 13E-3, through May 31, 1994, none of Sumner M. Redstone, NAI, Viacom or Paramount, any majority-owned subsidiary thereof, any current director or executive officer thereof and no pension, profit-sharing or similar plan of Sumner M. Redstone, NAI, Viacom or Paramount has effected any purchases or sales of Paramount Common Stock except for (i) the sale of 52,000 shares and 22,600 shares of Paramount Common Stock by Ronald L. Nelson on March 22, 1994 and May 23, 1994, respectively and (ii) the sale of 38,608 shares of Paramount Common Stock by James A. Pattison on March 21, 1994. In addition, none of Sumner M. Redstone, NAI nor Viacom has purchased any shares of Paramount Common Stock since March 2, 1994, the day such parties became affiliates of Paramount pursuant to the Offer. See "Summary--Comparative Stock Prices" for a description of purchases of shares of Paramount Common Stock by Paramount since October 31, 1991.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

VIACOM CAPITAL STOCK

Set forth below, as of April 1, 1994 (and without giving effect to the transactions contemplated by the Mergers), is certain information concerning beneficial ownership of Viacom Common Stock by (i) each director of Viacom, (ii) each of the executive officers named below, (iii) all executive officers and directors of Viacom as a group, and (iv) holders of 5% or more of the outstanding Viacom Common Stock. The following table excludes shares of Viacom Class B Common Stock issuable upon conversion of the Viacom Preferred Stock.

	SHARES OF VIACOM COMMON STOCK BENEFICIALLY OWNED			
NAME	TITLE OF CLASS OF COMMON STOCK	NUMBER OF SHARES	OPTION SHARES(1)	PERCENT OF CLASS
George S. Abrams	Class A	--(2)	--	--
	Class B	200(2)	--	(6)
Frank J. Biondi, Jr	Class A	415(3)	24,000	(6)
	Class B	178,318(3)(4)	114,000	(6)
Neil S. Braun	Class A	232(3)	10,000	(6)
	Class B	236(3)	46,000	(6)
Philippe P. Dauman	Class A	1,000	--	(6)
	Class B	8,300	--	(6)
William C. Ferguson	--	--	--	--
John W. Goddard	Class A	4,371(3)	15,000	(6)
	Class B	4,377(3)	69,000	(6)
H. Wayne Huizenga	--	--	--	--
Ken Miller	Class A	--(2)	--	--
	Class B	--(2)	--	--
National Amusements, Inc	Class A	45,547,214(5)	--	85.2%
	Class B	46,565,414(5)	--	51.7%
Brent D. Redstone	--	--	--	--
Sumner M. Redstone	Class A	45,547,294(5)	--	85.2%
	Class B	46,565,494(5)	--	51.7%
Frederic V. Salerno	--	--	--	--
William Schwartz	Class A	--(2)	--	--
	Class B	--(2)	--	--
Mark M. Weinstein	Class A	318(3)	7,500	(6)
	Class B	324(3)	34,500	(6)
All Directors and executive officers as a group other than Mr. Sumner Redstone (22 persons)	Class A	14,363(3)	76,350	(6)
	Class B	200,273(3)	385,839	(6)

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(1) Reflects shares of Viacom Class A Common Stock or Viacom Class B Common Stock subject to options to purchase such shares which on December 31, 1993 were unexercised but were exercisable within a period of 60 days from that date. These shares are excluded from the column headed "Number of Shares".

(2) Messrs. Abrams, Miller and Schwartz participate in a Deferred Compensation Plan in which their directors' fees are converted into stock units. Messrs. Abrams, Miller and Schwartz have been credited with 3,306, 3,021 and 3,052 Viacom Class A Common Stock units, respectively, and 3,477, 3,164 and 3,196 Viacom Class B Common Stock units, respectively.

(3) Includes shares held through Viacom International's 401(k) plan as of December 31, 1993.

(4) Includes 177,897 shares held as a result of the accelerated valuation and payment of Mr. Biondi's Long-Term Incentive Plan phantom shares in December 1992.

(5) Except for 80 shares of each class of such Viacom Common Stock owned directly by Mr. Redstone, all shares are owned of record by NAI. Mr. Redstone is the Chairman and the controlling stockholder of NAI and, accordingly, is shown above as the owner of all such shares.

(6) Less than 1%.

PARAMOUNT CAPITAL STOCK

The following table sets forth, as of March 31, 1994, the aggregate amount and percentage of Paramount Common Stock beneficially owned by each current executive officer and director of Paramount, NAI and Viacom and by certain pension, profit-sharing and similar plans of Paramount. Any such person whose name does not appear did not beneficially own any Paramount Common Stock as of March 31, 1994. The table also sets forth, as of March 31, 1994, the aggregate amount and percentage of Paramount Common Stock beneficially owned by all current directors and executive officers, as a group, of each of Paramount, NAI and Viacom. Except as otherwise indicated, no pension, profit-sharing or similar plan of Paramount, Sumner M. Redstone, NAI or Viacom owns any Paramount Common Stock.

SHARES OF PARAMOUNT COMMON STOCK BENEFICIALLY OWNED

	NUMBER OF SHARES OF PARAMOUNT COMMON STOCK	PERCENT
Martin S. Davis(1)	824,379	0.67
Irving R. Fischer	2,413	*
Robert C. Greenberg	54	*
Rudolph L. Hertlein	4,502	*
Lawrence E. Levinson	6,747	*
Ronald L. Nelson	86,740	0.07
Donald Oresman(2)	1,313,696	1.07
Paramount Employee Stock Ownership Plan	365,946	.30
Paramount Employees' Savings Plan	568,530	.46
Paramount Long-Term Performance Plan	64,986	.05
Prentice Hall Computer Publishing Division Retirement Plan	4,255	*
Directors and Executive Officers of Paramount as a group	2,238,531	1.82
Directors and Executive Officers of NAI (other than Sumner M. Redstone) as a group...		
Directors and Executive Officers of Viacom (other than Sumner M. Redstone) as a group		

The above individuals have sole voting and investment power, unless otherwise indicated. Ownership of less than .01% of Paramount Common Stock is shown by an asterisk. It has been assumed that all stock options that are exercisable were exercised.

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(1) Includes 42,968 shares owned by a charitable foundation of which he is an officer and director and 103,454 shares owned by a charitable remainder trust of which he is a beneficiary.

(2) As a co-trustee, Mr. Oresman shares voting and investment power over 977,592 shares owned by a trust.

STOCKHOLDERS OWNING MORE THAN 5% OF PARAMOUNT COMMON STOCK(a)

As of March 31, 1994, to the best of Paramount's knowledge, no person beneficially owned more than five percent of the outstanding Paramount Common Stock.

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(a) Excludes 61,657,432 shares of Paramount Common Stock acquired by Viacom pursuant to the Offer.

OTHER MATTERS

REGULATORY APPROVALS REQUIRED

FCC Approvals. Paramount (through subsidiaries which it controls) owns and operates seven broadcast television stations: WKBD (TV) (Detroit), WTXF (TV) (Philadelphia), KRRT (TV) (Kerrville, TX), WLFL (TV) (Raleigh/Durham), WDCA-(TV) (Washington, D.C.), KTXA (TV) (Arlington, TX) and KTXH (TV) (Houston). These stations are subject to FCC regulation under which licenses are granted when and if the FCC finds the public interest, convenience and necessity will be served thereby. The FCC is also empowered to modify and revoke such licenses.

Additionally, the Communications Act and FCC Regulations prohibit the transfer of control of any license, or the assignment of any license, or the transfer or assignment of any rights arising thereunder, without prior FCC approval and requires that the FCC find that the proposed transfer or assignment would serve the public interest, convenience and necessity. The FCC will consider the applicant's legal, financial, technical and other qualifications to operate the licensed entities for the transfer to be approved.

Consummation of the Offer resulted in the acquisition of control of Paramount and thus required prior FCC approval. Such approval was granted on March 8, 1994, pursuant to an application filed in September 1993 (the "Application")

Paramount has an approximately 6.4% interest in Combined Broadcasting, Inc. ("Combined"), which owns television stations in Chicago, Philadelphia and Miami. Because of Paramount's interest in Combined, the combined company will have an interest in more than the 12 television stations allowed by the FCC's rules. The combined company has taken the steps necessary to achieve compliance with the FCC's multiple ownership rules by placing Paramount's existing interest in Combined into an insulated voting trust, which interest, under FCC rules, is not considered for purposes of determining compliance with the FCC's multiple ownership requirements.

Pursuant to a transaction consummated on November 1, 1993, Viacom owns two AM and two FM stations serving the Washington, D.C. area. The combined company will therefore own four radio stations and a television station in Washington, D.C. Pursuant to the FCC order granting the Application, the combined company has a period of eighteen months following consummation of the Paramount Merger, in which to divest two of the radio stations (one AM and one FM).

ANTITRUST APPROVALS

Under the HSR Act and the rules promulgated thereunder by the FTC, certain acquisition transactions may not be consummated unless notice has been given and certain information has been furnished to the Antitrust Division of the United States Department of Justice (the "Antitrust Division") and the FTC and specified waiting period requirements have been satisfied. Viacom and Paramount each filed with the Antitrust Division and the FTC a Notification and Report Form with respect to the Original Merger Agreement on September 21, 1993. Accordingly, the waiting period under the HSR Act applicable to the acquisition of Paramount and the shares of Paramount Common Stock by Viacom expired on October 21, 1993. The expiration of the HSR Act waiting period does not preclude the Antitrust Division or the FTC from challenging the Paramount Merger on antitrust

grounds. State Attorneys General and private parties may also bring legal actions under the federal or state antitrust laws under certain circumstances. Based upon an examination of information available to Viacom and Paramount relating to the businesses in which Viacom, Paramount and their respective subsidiaries are engaged, Viacom and Paramount believe that the consummation of the Paramount Merger will not violate the antitrust laws.

Competition Act of Canada and Investment Canada Act. Subject to certain thresholds, Canada's Competition Act requires prenotification to the Director of Investigation and Research (the "Director") of an acquisition of voting shares of a corporation that directly or through subsidiaries conducts an operating business in Canada where the parties to the transaction and their affiliates have assets in Canada, or annual gross revenues from sales in, from or into Canada, in excess of C$400 million, and where the corporation whose shares are being acquired or its affiliates own Canadian assets the value of which exceeds C$35 million, or the gross revenues from sales in or from Canada generated from such assets exceeds C$35 million in the last fiscal year (a "Notifiable Transaction").

If a transaction is a Notifiable Transaction, subject to certain exemptions, a prescribed filing must be made with the Director, and the transaction may not be completed prior to the expiration or earlier termination of the applicable waiting period after such filing has been delivered to the Director. The relevant waiting period is seven or 21 days, depending on the type of filing that the acquiror makes with the Director. If the Director determines that the transaction is likely to lessen competition substantially in any relevant market, he may attempt to obtain an order preventing the completion or implementation of the transaction.

Even if a transaction is not a Notifiable Transaction, the Director has the right, prior to and for a period of up to three years after its implementation, to review the transaction to determine if it is likely to lessen competition substantially in any market in Canada. Where the Director concludes that such a substantial lessening of competition is likely to occur, he may take steps to prevent the completion of the transaction or to seek other relief (including divestiture) in respect of a completed transaction.

On October 29, 1993, Viacom made the necessary prenotification filing and the applicable seven-day waiting period has expired. On November 19, 1993, Viacom was advised by the Director that based on his review of the information provided by Paramount and Viacom, he did not intend to challenge the completion of the transaction (although he may re-examine the matter within a period of three years following implementation of the transaction).

The Investment Canada Act (the "ICA") requires that notice of the acquisition of "control" by "non-Canadians" (as defined in the ICA) be furnished to Investment Canada, a Canadian governmental agency (the "Agency"), and that certain of these investments to acquire control of a Canadian business be reviewed and approved by the Minister (as defined in the ICA) as investments that are "likely to be of net benefit" to Canada based upon criteria set forth in the ICA. Transactions which involve the acquisition of control of "cultural business" will be subject to review and approval under the ICA. Some of Paramount's Canadian businesses are engaged primarily in "cultural businesses" as defined in the ICA so the acquisition is reviewable. An indirect acquisition of a corporation in Canada carrying on a Canadian business through the purchase of voting shares of a corporation incorporated outside of Canada may be implemented without prior approval but the application for review must be filed not later than 30 days after the acquisition. Where the Minister does not approve an acquisition, he shall issue to the investor a notice which will have the effect of precluding the completion of the acquisition or, if the acquisition has been implemented, requiring divestiture of the acquisition. On April 11, 1994, Viacom filed an Application for Review with the Agency in connection with its purchase of the majority of the outstanding shares of Paramount Common Stock. The Agency's review of Viacom's Application will not result in any delay in completion of the Paramount Merger.

Foreign Approvals. In connection with the Paramount Merger, Viacom has made mandatory pre-acquisition notification filings with the German Federal Cartel Office on October 29, 1993, and with the Irish Department of Enterprise and Employment on November 4, 1993, and a voluntary pre-acquisition

notification filing with the Office of Fair Trading in the United Kingdom on October 28, 1993. Viacom has been informed in writing by the relevant governmental authority in each of these jurisdictions that such authority will take no action against the Paramount Merger. Accordingly, with Viacom having complied with the relevant pre-merger filing requirements in these jurisdictions, the laws of such jurisdictions do not prohibit the consummation of the Paramount Merger. Viacom and Paramount conduct operations in a number of other foreign countries, some of which have voluntary merger notification systems. It is recognized that certain filings may not be made and certain approvals may not be obtained prior to the date of the Paramount Special Meeting, the Viacom Special Meeting or the Paramount Effective Time in those countries in which filings or approvals are not as a matter of practice required to be made or obtained prior to the consummation of a merger transaction. The failure to make any such filings or to obtain any such approvals is not anticipated to have a material effect on the Paramount Merger or the combined company.

STOCKHOLDER LITIGATIONS

On September 13, 1993, four putative class actions were filed in the Court of Chancery in the State of Delaware on behalf of Paramount stockholders alleging causes of action arising out of the proposed merger of Viacom and Paramount: Isquith, et al. v. Paramount Communications Inc., et al., Civ. Action No. 13117; Tuchman v. Paramount Communications Inc., et al., Civ. Action No. 13119; Segesta, et al. v. Paramount Communications Inc., et al., Civ. Action No. 13120; and Goldberg, et al. v. Davis, et al., Civ. Action No. 13121. Also on September 13, 1993, two putative class action complaints were filed in New York Supreme Court, New York County: Rubenstein v. Paramount Communications Inc., et al., Index No. 93123169; and Tuchman, et al. v. Paramount Communications Inc., et al., Index No. 93123202 (the "New York Actions"). On September 14, 1993, three additional putative class actions were filed in Delaware Chancery Court: Sonem Partners, Ltd. v. Paramount Communications Inc., et al., Civ. Action No. 13123; Schwartz v. Davis, et al., Civ. Action No. 13124; and Soshtain, et al. v. Paramount Communications Inc., et al., Civ. Action No. 13126. On September 17, another putative class complaint was filed in Delaware Chancery Court: Sorrentino, et al. v. Davis, et al., Civ. Action No. 13133. On September 20, 1993, the Isquith, et al. v. Paramount Communications Inc., et al. complaint was amended and recaptioned Rubenstein, et al. v. Paramount Communications Inc., et al. On September 22, 1993 and September 23, 1993, respectively, two more putative class action complaints were filed in the Delaware Chancery Court: Hagne v. Davis, et al., Civ. Action No. 13141; and Dwyer v. Davis, et al., Civ. Action No. 13143. Two additional putative class action complaints were filed in the Delaware Chancery Court on September 27, 1993: Citron v. Davis et al., Civ. Action No. 13147; and John P. McCarthy Profit Sharing Plan v. Davis et al., Civ. Action No. 13148. On September 28, 1993, another putative class action complaint was filed in Delaware Chancery Court: Sonet, et al. v. Paramount Communications Inc., et al., Civ. Action No. 13152. The defendants in these actions include Paramount and certain of its directors and, except for the Dwyer action, Viacom, and in the Segesta and Soshtain actions and the New York Actions, Sumner Redstone. The New York Actions also named as a defendant Frank J. Biondi, Jr., President and Chief Executive Officer of Viacom. The Dwyer and Sonet actions erroneously identified defendant James A. Nicholas as a current director of Paramount. In addition, the New York Actions incorrectly identify defendants Earl H. Doppelt, Rudolph L. Hertlein, Lawrence E. Levinson, Eugene I. Meyers and Jerry Sherman (executive officers of Paramount) as Paramount directors. The stockholder lawsuits alleged substantially similar causes of action for breaches of fiduciary duty against Paramount and the Paramount Board, and alleged that Viacom (and in the Segesta and Soshtain actions and the New York Actions, Mr. Redstone) aided and abetted those breaches of duty. The New York Actions also alleged that defendant Biondi aided and abetted purported breaches of fiduciary duties by Paramount's directors. The stockholder actions, except for the Sonet action, sought inter alia to enjoin the proposed merger of Viacom and Paramount on the ground that the consideration to be paid was inadequate and unfair and that the Paramount Board has failed to maximize stockholder value. Certain of the shareholder actions, including the Sonet action, sought to enjoin the operation of certain provisions of the Original Merger Agreement and the Original Stock Option Agreement and also sought to enjoin the operation of the

Rights Agreement. On September 27, 1993, the Delaware Chancery Court entered an order consolidating Civ. Action Nos. 13117, 13119, 13120, 13121, 13123, 13124, 13126, 13133, 13141, and 13143 as In re Paramount Communications Inc. Shareholders Litigation, Consolidated Civ. Action No. 13117. Also on September 27, 1993, all plaintiffs, except for plaintiffs in the Citron, John P. McCarthy Profit Sharing Plan and Sonet actions and plaintiffs in the New York Actions, filed a motion for preliminary injunctive relief and also filed a motion for expedited discovery. On October 23, 1993, the Delaware Chancery Court entered a supplemental order consolidating Citron v. Davis et al., Civ. Action No. 13147, and John P. McCarthy Profit Sharing Plan v. Davis et al., Civ. Action No. 13148, with and into In re Paramount Communications Inc. Shareholders Litigation, Consolidated Civ. Action No. 13117.

On October 26, 1993, an additional putative class action and derivative complaint was filed in Delaware Chancery Court on behalf of Paramount stockholders: B.T.Z. Inc. v. Davis, et al., Civ. Action No. 13219. The defendants in this case included Paramount and certain of its directors. Viacom was not named as a defendant. Plaintiffs' derivative cause of action alleged, inter alia, that demand had not been made on the Paramount Board because of the circumstances of the case, or alternatively, because demand would be futile. This lawsuit alleged causes of action for breaches of fiduciary duty against Paramount and the Paramount Board. In addition, this lawsuit alleged a cause of action for interference with contract and with prospective advantage on the ground that the director defendants interfered with the plaintiffs' contractual and common law rights to sell their shares in lawful transactions and interfered with plaintiffs' prospective advantage in any such transactions. The action sought, inter alia, to enjoin the operation of certain provisions of the October 24 Merger Agreement and the Amended Stock Option Agreement to enjoin the operation of the Rights Agreement and to require that Paramount be auctioned to the highest bidder. This action was consolidated with and into In re Paramount Communications Inc. Shareholders Litigation, consolidated Civ. Action No. 13117. On November 5, 1993, plaintiffs in In re Paramount Communications Inc. Shareholders Litigation, Consolidated Civ. Action No. 13117, filed a Consolidated and Amended Class Action Complaint (the "Amended Consolidated Complaint"), which named Paramount, its directors and Viacom as defendants. The Amended Consolidated Complaint alleged, inter alia, that Paramount's directors committed various breaches of their fiduciary duties and that Viacom aided and abetted those purported breaches. Plaintiffs in the consolidated action sought, inter alia, an injunction against the operation of the October 24 Merger Agreement and the Amended Stock Option Agreement on the ground that Paramount's directors failed to maximize shareholder value, and an order preventing defendants from consummating a merger with Viacom or from withdrawing measures such as the Rights Agreement unless Paramount conducted an auction for Paramount.

The request for injunctive relief raised in these stockholder actions was addressed by the Delaware courts in conjunction with the QVC litigation, as described below.

ANTITRUST LITIGATION

On September 23, 1993, Viacom International filed an action in the United States District Court for the Southern District of New York styled Viacom International Inc. v. Tele-Communications, Inc., et al., Case No. 93 Civ. 6658, against Tele-Communications, Inc. ("TCI"), Liberty, Satellite Services, Inc. ("SSI"), Encore Media Corp., Netlink USA, and QVC. The complaint alleges violations of Sections 1 and 2 of the Sherman Act, Section 7 of the Clayton Act, Section 12 of the Cable Act, and New York's Donnelly Act, and tortious interference, against all defendants, and a breach of contract claim against defendants TCI and SSI only. In addition to other relief, Viacom International seeks injunctive relief against defendants' anticompetitive conduct, including enjoining the consummation of QVC's proposed acquisition of Paramount, and damages in an amount to be determined at trial, including trebled damages and attorneys' fees under the Sherman and Clayton Acts.

The 19 claims for relief in the complaint are based on allegations that defendants, controlled by John C. Malone, exert monopoly power in the U.S. cable industry through their control over approximately one in four of all cable households in the United States. Among other things, the complaint alleges that defendants conspired to force SNI to enter into a merger with a Malone-controlled pay television service; defendants have attempted to eliminate The Movie Channel from at least 28 of TCI's systems and have plans to eliminate The Movie Channel from another 27 such systems; defendants have conspired with General Instrument Corporation ("GI") to entrench GI's monopoly power in the markets for digital compression and encryption systems and to use such monopoly power to weaken and eliminate the defendants' competitors; and TCI's construction of a central authorization center to illegally control the distribution of programming services through refusals to deal and denial of direct access. On November 9, 1993, Viacom International amended its complaint in Viacom International Inc. v. Tele-Communications, Inc., et al., Case No. 93 Civ. 6658, to add Comcast Corporation as an additional defendant and to incorporate into the allegations additional anticompetitive activities by the defendants.

On November 23, 1993, defendants answered the amended complaint and generally denied the material allegations set forth therein. Thereafter, Viacom International voluntarily dismissed its claims against QVC and Comcast Corporation. On April 1, 1994, defendants made a motion for partial summary judgment dismissing all causes of action relating to QVC's proposed acquisition of Paramount, on the ground that such causes of action are moot and otherwise fail to state a claim upon which relief can be granted. On May 16, 1994, Viacom International submitted an opposition to defendants' motion for partial summary judgment, and the motion is currently sub judice. The parties are currently engaged in discovery.

QVC LITIGATION

On October 21, 1993, QVC commenced an action in the Court of Chancery for the State of Delaware styled QVC Network, Inc. v. Paramount Communications Inc., et al., Civ. Action No. 13208. This lawsuit alleged causes of action arising out of the Original Merger Agreement, the QVC proposal made to the Paramount Board on September 20, 1993, and the announcement of the First QVC Offer. The suit alleged various breaches of fiduciary duties against Paramount and certain members of the Paramount Board, and alleged that Viacom aided and abetted those breaches of duty.

The suit sought to enjoin: (i) various provisions of the Original Merger Agreement; (ii) consummation of the merger of Viacom and Paramount; (iii) the payment of any money or issuance of any stock by Paramount pursuant to the Original Merger Agreement; (iv) any actions by the Paramount Board designed to impede a bidding contest for Paramount; and (v) any actions by Viacom intended to cause Paramount to forgo any transaction other than the merger of Viacom and Paramount. The suit also sought a declaratory judgment that: (i) various provisions of the Original Merger Agreement were unlawful; (ii) Paramount's refusal to negotiate a merger with QVC was a breach of the fiduciary duties of the directors of Paramount; (iii) any rights purportedly acquired by Viacom pursuant to the Original Merger Agreement were null and void; and (iv) consummation of the merger of Viacom and Paramount, as contemplated by the Original Merger Agreement, was unlawful. In addition, the suit sought rescission of any transaction consummated pursuant to the Original Merger Agreement prior to a final judgment of the Chancery Court and damages flowing therefrom.

On October 28, 1993, QVC filed a motion in Delaware Chancery Court for leave to file a First Amended and Supplemental Complaint to amend and supplement the QVC Network action. On October 29, 1993, defendants consented to the filing of this amended complaint, and on that date, the First Amended and Supplemented Complaint was filed with the court. The named defendants in the First Amended and Supplemental Complaint were identical to the named defendants in the initial complaint, with the exception that one named defendant in the initial complaint, Ronald L. Nelson, was no longer a named defendant. QVC alleged causes of action for breaches of fiduciary duties against Paramount and the Paramount Board and alleged that Viacom aided and abetted certain of those

breaches of duty. The amended complaint alleged one additional breach of fiduciary duty claim against Paramount and the named directors of Paramount. The action sought, inter alia, to enjoin any steps to carry out the October 24 Merger Agreement on the ground that certain provisions of the October 24 Merger Agreement and the Amended Stock Option Agreement were allegedly unlawful and purportedly were entered into in breach of Paramount's directors' fiduciary duties. QVC also filed a motion for preliminary injunctive relief. Oral argument on such motion was heard on November 16, 1993.

On November 24, 1993, the Delaware Court of Chancery issued the Preliminary Injunction Order (the "Preliminary Injunction Order") sought by QVC and certain stockholders of Paramount pursuant to which:

(1) Paramount was preliminarily enjoined absent further order of the Court from amending the Rights Agreement, redeeming the rights under the Rights Agreement or taking any other action under the Rights Agreement to facilitate the Second Viacom Offer or the merger of Viacom and Paramount.

(2) Paramount and Viacom were enjoined from (i) taking any action to exercise, cash out, enforce, effectuate or consummate any term or provision of the Amended Stock Option Agreement or (ii) causing Paramount or its subsidiaries or affiliates to pay money, transfer assets or issue securities of Paramount to Viacom or any of its affiliates or subsidiaries other than in the ordinary course of business or pursuant to the termination fee contemplated by the Amended Stock Option Agreement.

(3) QVC's motion to enjoin payment of the termination fee contemplated by the Amended Stock Option Agreement was denied.

In addition to the Preliminary Injunction Order, the Delaware Court of Chancery issued on November 24, 1993 a separate order certifying an appeal from the Preliminary Injunction Order to the Supreme Court of the State of Delaware.

On the same day, Paramount and Viacom filed a notice of appeal with respect to the Preliminary Injunction Order. The Supreme Court of the State of Delaware, pursuant to an Order dated November 29, 1993, accepted the appeal and scheduled oral argument on the appeal for December 9, 1993.

On December 9, 1993, the Supreme Court of the State of Delaware issued an order (the "Order") pursuant to which the Court, among other things: (1) affirmed the order of the Delaware Chancery Court entered November 24, 1993; and (2) remanded the proceeding to the Delaware Chancery Court for proceedings consistent with the Order.

These cases are still pending; however, Viacom believes the issues to be moot. Lead counsel for the consolidated class actions intend, on consent, to dismiss the consolidated cases as moot. Viacom has agreed, subject to documentation and court order, to pay an award of attorneys' fees and reimbursement of expenses of $7.4 million to the class' counsel. The agreement to pay the attorneys' fee in no way constitutes an admission, express or implied, by Viacom that any defendant is subject to any liability for any violation of law, nor does such agreement constitute an admission of wrongdoing or actionable conduct on the part of any defendant.

DISSENTING STOCKHOLDERS' RIGHTS OF APPRAISAL

If the Paramount Merger is consummated, holders of shares of Paramount Common Stock are entitled to appraisal rights under Section 262 of the DGCL ("Section 262"), provided that they comply with the conditions established by Section 262.

SECTION 262 IS REPRINTED IN ITS ENTIRETY AS ANNEX V TO THIS PROXY STATEMENT/PROSPECTUS. THE FOLLOWING DISCUSSION IS NOT A COMPLETE STATEMENT OF THE LAW RELATING TO APPRAISAL RIGHTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO ANNEX V. THIS DISCUSSION AND ANNEX V SHOULD BE REVIEWED CAREFULLY BY ANY HOLDER WHO WISHES TO EXERCISE STATUTORY APPRAISAL RIGHTS OR WHO WISHES TO PRESERVE THE RIGHT TO DO SO, AS FAILURE TO COMPLY WITH THE PROCEDURES SET FORTH HEREIN OR THEREIN WILL RESULT IN THE LOSS OF APPRAISAL RIGHTS.

A record holder of shares of Paramount Common Stock who makes the demand described below with respect to such shares, who continuously is the record holder of such shares through the Paramount Effective Time, who otherwise complies with the statutory requirements of Section 262 and who neither votes in favor of the Paramount Merger Agreement nor consents thereto in writing will be entitled to an appraisal by the Delaware Court of Chancery (the "Delaware Court") of the fair value of his or her shares of Paramount Common Stock. All references in this summary of appraisal rights to a "stockholder" or "holders of shares of Paramount Common Stock" are to the record holder or holders of shares of Paramount Common Stock. Except as set forth herein, stockholders of Paramount will not be entitled to appraisal rights in connection with the Paramount Merger. Stockholders of Viacom will have no appraisal rights in connection with the Paramount Merger.

Under Section 262, where a merger is to be submitted for approval at a meeting of stockholders, as in the Paramount Special Meeting, not less than 20 days prior to the meeting, a constituent corporation must notify each of the holders of its stock for which appraisal rights are available that such appraisal rights are available and include in each such notice a copy of Section 262. This Proxy Statement/Prospectus shall constitute such notice to the record holders of Paramount Common Stock.

Holders of shares of Paramount Common Stock who desire to exercise their appraisal rights must not vote in favor of the Paramount Merger Agreement and must deliver a separate written demand for appraisal to Paramount prior to the vote by the stockholders of Paramount on the Paramount Merger Agreement. A stockholder who signs and returns a proxy without expressly directing by checking the applicable boxes on the reverse side of the proxy card enclosed herewith that his or her shares of Paramount Common Stock be voted against the proposal or that an abstention be registered with respect to his or her shares of Paramount Common Stock in connection with the proposal will effectively have thereby waived his or her appraisal rights as to those shares of Paramount Common Stock because, in the absence of express contrary instructions, such shares of Paramount Common Stock will be voted in favor of the proposal. See "The Meetings--Voting of Proxies." Accordingly, a stockholder who desires to perfect appraisal rights with respect to any of his or her shares of Paramount Common Stock must, as one of the procedural steps involved in such perfection, either (i) refrain from executing and returning the enclosed proxy card and from voting in person in favor of the proposal to approve the Paramount Merger Agreement, or (ii) check either the "Against" or the "Abstain" box next to the proposal on such card or affirmatively vote in person against the proposal or register in person an abstention with respect thereto. A demand for appraisal must be executed by or on behalf of the stockholder of record and must reasonably inform Paramount of the identity of the stockholder of record and that such record stockholder intends thereby to demand appraisal of the Paramount Common Stock. A person having a beneficial interest in shares of Paramount Common Stock that are held of record in the name of another person, such as a broker, fiduciary or other nominee, must act promptly to cause the record holder to follow the steps summarized herein properly and in a timely manner to perfect whatever appraisal rights are available. If the shares of Paramount Common Stock are owned of record by a person other than the beneficial owner, including a broker, fiduciary (such as a trustee, guardian or custodian) or other nominee, such demand must be executed by or for the record owner. If the shares of Paramount Common Stock are owned of record by more than one person, as in a

joint tenancy or tenancy in common, such demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, such person is acting as agent for the record owner.

A record owner, such as a broker, fiduciary or other nominee, who holds shares of Paramount Common Stock as a nominee for others, may exercise appraisal rights with respect to the shares held for all or less than all beneficial owners of shares as to which such person is the record owner. In such case, the written demand must set forth the number of shares covered by such demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares of Paramount Common Stock outstanding in the name of such record owner.

A stockholder who elects to exercise appraisal rights should mail or deliver his or her written demand to: Viacom International Inc., 1515 Broadway, New York, New York 10036, Attention: Philippe P. Dauman, Secretary.

The written demand for appraisal should specify the stockholder's name and mailing address, the number of shares of Paramount Common Stock owned, and that the stockholder is thereby demanding appraisal of his or her shares. A proxy or vote against the Paramount Merger Agreement will not by itself constitute such a demand. Within ten days after the Paramount Effective Time, the combined company must provide notice of the Paramount Effective Time to all stockholders who have complied with Section 262.

Within 120 days after the Paramount Effective Time, either the combined company or any stockholder who has complied with the required conditions of Section 262 may file a petition in the Delaware Court, with a copy served on the combined company in the case of a petition filed by a stockholder, demanding a determination of the fair value of the shares of all dissenting stockholders. There is no present intent on the part of Viacom to file an appraisal petition and stockholders seeking to exercise appraisal rights should not assume that the combined company will file such a petition or that the combined company will initiate any negotiations with respect to the fair value of such shares. Accordingly, Paramount stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262. Within 120 days after the Paramount Effective Time, any stockholder who has theretofore complied with the applicable provisions of Section 262 will be entitled, upon written request, to receive from the combined company a statement setting forth the aggregate number of shares of Paramount Common Stock not voting in favor of the Paramount Merger Agreement and with respect to which demands for appraisal were received by Paramount and the number of holders of such shares. Such statement must be mailed within 10 days after the written request therefor has been received by the combined company.

If a petition for an appraisal is timely filed, at the hearing on such petition, the Delaware Court will determine which stockholders are entitled to appraisal rights. The Delaware Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Delaware Court may dismiss the proceedings as to such stockholder. Where proceedings are not dismissed, the Delaware Court will appraise the shares of Paramount Common Stock owned by such stockholders, determining the fair value of such shares exclusive of any element of value arising from the accomplishment or expectation of the Paramount Merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining fair value, the Delaware Court is to take into account all relevant factors. In Weinberger v. UOP Inc., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered, and

that "fair price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw light on future prospects of the merged corporation. In Weinberger, the Delaware Supreme Court stated that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." Section 262, however, provides that fair value is to be "exclusive of any element of value arising from the accomplishment or expectation of the merger."

Holders of shares of Paramount Common Stock considering seeking appraisal should recognize that the fair value of their shares determined under Section 262 could be more than, the same as or less than the consideration they are entitled to receive pursuant to the Paramount Merger Agreement if they do not seek appraisal of their shares. The cost of the appraisal proceeding may be determined by the Delaware Court and taxed against the parties as the Delaware Court deems equitable in the circumstances. Upon application of a dissenting stockholder of Paramount, the Delaware Court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including without limitation, reasonable attorney's fees and the fees and expenses of experts, be charged pro rata against the value of all shares of stock entitled to appraisal.

Any holder of shares of Paramount Common Stock who has duly demanded appraisal in compliance with Section 262 will not, after the Paramount Effective Time, be entitled to vote for any purpose any shares subject to such demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the Paramount Effective Time.

At any time within 60 days after the Paramount Effective Time, any stockholder will have the right to withdraw such demand for appraisal and to accept the terms offered in the Paramount Merger; after this period, the stockholder may withdraw such demand for appraisal only with the consent of the combined company. If no petition for appraisal is filed with the Delaware Court within 120 days after the Paramount Effective Time, stockholders' rights to appraisal shall cease, and all holders of shares of Paramount Common Stock will be entitled to receive the consideration offered pursuant to the Paramount Merger Agreement. Inasmuch as the combined company has no obligation to file such a petition, and Viacom has no present intention to do so, any holder of shares of Paramount Common Stock who desires such a petition to be filed is advised to file it on a timely basis. Any stockholder may withdraw such stockholder's demand for appraisal by delivering to the combined company a written withdrawal of his or her demand for appraisal and acceptance of the Paramount Merger, except (i) that any such attempt to withdraw made more than 60 days after the Paramount Effective Time will require written approval of the combined company and (ii) that no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

ELECTION OF DIRECTORS

The election of ten directors of Viacom is proposed, each to hold office for one year and until his successor is elected and qualified. The persons named in the enclosed Viacom Annual Meeting Proxy Card will vote the shares covered by each such Proxy for the election of the nominees set forth below, unless instructed to the contrary. Each nominee is now a member of the Board of Directors of Viacom. If, for any reason, any of said nominees becomes unavailable for election, the holders of the Viacom Annual Meeting proxies may exercise discretion to vote for substitutes proposed by the Board. Management has no reason to believe that the persons named will be unable to serve if elected or decline to do so.

Information Concerning Directors and Nominees

Set forth below is certain information concerning each nominee for director of Viacom. All of the nominees are currently directors of Viacom, Viacom International and Paramount.

NOMINEE FOR DIRECTOR*	CORPORATION OFFICES AND PRINCIPAL OCCUPATION**
George S. Abrams..... Age 61 Director since 1987	Associated with Winer & Abrams, a law firm located in Boston, Massachusetts, for more than five years. Mr. Abrams became a director of Paramount in 1994 and NAI in 1992. He is the former General Counsel and Staff Director of the United States Senate Judiciary Committee on Refugees. Mr. Abrams is also a member of the Boards of Trustees and Visiting Committees of a number of art museums, art-related organizations and educational institutions.
Frank J. Biondi, Jr..... Age 49 Director since 1987	President, Chief Executive Officer of Viacom and Viacom International since July 1987 and Paramount since March 1994. Mr. Biondi became a director of Paramount in 1994. From November 1986 to July 1987, Mr. Biondi was Chairman, Chief Executive Officer of Coca-Cola Television and, from 1985, Executive Vice President of the Entertainment Business Sector of The Coca-Cola Company. Mr. Biondi joined Home Box Office in 1978 and held various positions there until his appointment as President, Chief Executive Officer in 1983. In 1984, he was elected to the additional position of Chairman and continued to serve in such capacities until October 1984. Mr. Biondi recently became a director of Maybelline, Inc.
Philippe P. Dauman..... Age 40 Director since 1987	Executive Vice President, General Counsel, Chief Administrative Officer and Secretary of Viacom, Viacom International and Paramount since March 1994. Mr. Dauman became a director of Paramount in 1994 and NAI in 1992. From February 1993 to March 1994, Mr. Dauman served as Senior Vice President, General Counsel and Secretary of Viacom and Viacom International. Prior to that, Mr. Dauman was a partner in the law firm of Shearman & Sterling in New York, which he joined in 1978.

William C. Ferguson..... Age 63 Director since 1993	Chairman of the Board and Chief Executive Officer of NYNEX since October 1989. Mr. Ferguson became a director of Paramount in 1994. He served as Vice Chairman of the Board of NYNEX from 1987 to 1989 and as President and Chief Executive Officer from June to September 1989. He has served as a director of NYNEX since 1987. He is also a director of CPC International, Inc. and General Re Corporation.
H. Wayne Huizenga..... Age 56 Director since 1993	Chairman of the Board and Chief Executive Officer of Blockbuster since April 1987. Mr. Huizenga became a director of Paramount in 1994. He served as President of Blockbuster from April 1987 until June 1988. He is a co-founder of Waste Management, Inc. (now WMX Technologies, Inc.), a waste disposal and collection company, where he served in various capacities, including President, Chief Operating Officer and a director, until May 1984. From May 1984 to the present, Mr. Huizenga has been an investor in other businesses and is the sole stockholder and Chairman of the Board of Huizenga Holdings, Inc., a holding and management company with various business interests. In connection with these business interests, Mr. Huizenga has been actively involved in strategic planning for, and executive management of, these businesses. He also has a majority ownership interest in Florida Marlins Baseball, Ltd., a Major League Baseball sports franchise, owns the Florida Panthers Hockey Club, Ltd., a National Hockey League sports franchise, and has a limited partnership interest in Miami Dolphins, Ltd. ("Miami Dolphins"), a National Football League sports franchise, and an ownership interest in Robbie Stadium Corporation and certain affiliated entities, which own and operate Joe Robbie Stadium in South Florida. Mr. Huizenga has entered into an agreement to purchase the remaining ownership interest in the Miami Dolphins. He is Chairman of the Board of Directors of Spelling Entertainment Group Inc. He is also a director of Discovery Zone, Inc.
Ken Miller..... Age 51 Director since 1987	President, Chief Executive Officer of The Lodestar Group, an investment firm, since 1988. Mr. Miller became a director of Paramount in 1994. He was Vice Chairman of Merrill Lynch Capital Markets during 1987 and a Managing Director of Merrill Lynch Capital Markets for more than the preceding five years. He is Chairman of the Board of Directors of Kinder-Care Learning Centers, Inc.
Brent D. Redstone..... Age 43 Director since 1991	Assistant District Attorney for Suffolk County, Massachusetts from 1976 to October 1991, serving from 1988 through 1991 on the Homicide Unit responsible for the investigation and trial of homicide cases. Mr. Redstone became a director of Paramount in 1994 and NAI in 1992.

Sumner M. Redstone..... Age 69 Director since 1986	Chairman of the Board of Viacom and Viacom International since June 1987 and Paramount since April 1994. He has served as Chairman of the Board of NAI since 1986 and President, Chief Executive Officer of NAI since 1967. Mr. Redstone is the former Chairman of the Board of the National Association of Theater Owners and is currently a member of its Executive Committee. During the Carter Administration, Mr. Redstone was appointed a member of the Presidential Advisory Committee on the Arts for the John F. Kennedy Center for the Performing Arts and, in 1984, he was appointed a Director of the Kennedy Presidential Library Foundation. Mr. Redstone has recently accepted a visiting professorship at Brandeis University. Since 1982, Mr. Redstone has been a member of the faculty of Boston University Law School, where he has lectured in entertainment law. Mr. Redstone graduated from Harvard University in 1944 and received an LL.B. from Harvard University School of Law in 1947. Upon graduation, Mr. Redstone served as Law Secretary with the United States Court of Appeals, and then as a Special Assistant to the United States Attorney General.
Frederic V. Salerno..... Age 49 Director since 1994	Vice Chairman--Finance and Business Development of NYNEX since March 1, 1994. Mr. Salerno became a director of Paramount in 1994. He was Vice Chairman of the Board of NYNEX and President of the Worldwide Services Group from 1991 to 1994 and President and Chief Executive Officer of New York Telephone Company from 1987 to 1991. He is also a director of The Bear Stearns Companies Inc. and Avnet, Inc.
William Schwartz..... Age 59 Director since 1987	Vice President for Academic Affairs (the chief academic officer) of Yeshiva University since 1992 and University Professor of Law at Yeshiva University and the Cardozo School of Law since 1991. Mr. Schwartz became a director of Paramount in 1994. He has been of Counsel to Cadwalader, Wickersham & Taft since 1988. Mr. Schwartz was Dean of the Boston University School of Law from 1980 to 1988, a professor of law at Boston University from 1955 to 1991 and Director of the Feder Center for Estate Planning at Boston University School of Law from 1988 to 1991. He has served as Chairman of the Board of Directors of UST Corporation since 1993. He previously served as Vice Chairman of UST Corporation since 1985 and has been a director of UST Corporation for more than five years. Mr. Schwartz is a trustee of several educational and charitable organizations and an honorary member of the National College of Probate Judges. He served as Chairman of the Boston Mayor's Special Commission on Police Procedures and was formerly a member of the Legal Advisory Board of the NYSE.

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* Brent Redstone is the son of Sumner Redstone. None of the other nominees for director is related to any other director or executive officer of Viacom, Viacom International or Paramount by blood, marriage or adoption.

** NAI, Paramount and Viacom International are affiliates of Viacom. None of the other corporations or organizations indicated herein is a parent, subsidiary or other affiliate of Viacom.

Meetings and Committees of the Viacom Board of Directors

During 1993, the Viacom Board of Directors held nine (9) regular meetings and seven (7) special meetings.

Set forth below is certain information concerning the standing committees of the Board of Directors (1).

COMMITTEE	MEMBERS OF COMMITTEE	NUMBER OF MEETINGS DURING 1993
Audit Committee.....	Messrs. Abrams*, Ferguson,** Huizenga,** Miller, Salerno,** and Schwartz	3
Compensation Committee.....	Messrs. Abrams, Ferguson,** Huizenga,** Miller, Brent Redstone, Sumner Redstone,* Salerno,** and Schwartz	9

* Chairman of the Committee

** Messrs. Huizenga, Ferguson and Salerno became members of the Audit and Compensation Committees when they were appointed to the Boards of Directors of Viacom and Viacom International on October 22, 1993, November 19, 1993 and January 27, 1994, respectively.

NOTE:

(1) Viacom does not currently have a Nominating Committee.

The functions of the Audit Committee include reviewing with the independent auditors the plans and results of the annual audit, approving the audit and non-audit services by such auditors, reviewing the scope and results of Viacom's internal auditing procedures, reviewing the adequacy of Viacom's system of internal accounting controls and reviewing the annual financial statements prepared for release to stockholders and the public. The functions of the Compensation Committee include reviewing the salaries and bonuses of employees earning over a specified amount. In addition, the Committee reviews and approves participation in, and administers, the Senior Executive STIP and the long-term incentive compensation plans.

RELATED TRANSACTIONS

For a description of certain related transactions, see "Special Factors--Paramount Voting Agreement", "Sale of Viacom Preferred Stock" and "The Blockbuster Merger--Certain Transactions Between Viacom and Blockbuster and With Their Stockholders."

Viacom, Viacom International and NAI entered into a tax sharing agreement governing the filing of consolidated federal tax returns in 1987. This agreement required that Viacom and/or the Viacom International pay NAI to the extent they would have paid Federal income taxes on a separate company basis and entitled them to receive payments from NAI to the extent losses and credits reduced NAI's federal income taxes. This agreement was in effect for periods ending on or before June 10, 1991, when NAI's percentage ownership of Viacom Common Stock was reduced to less than 80% on a combined basis. For periods commencing on or after June 11, 1991, Viacom and Viacom International have not filed consolidated federal tax returns with NAI.

Philippe P. Dauman, a director and Executive Vice President, General Counsel, Chief Administrative Officer and Secretary of Viacom, Viacom International and Paramount, became an executive officer of Viacom and Viacom International on February 1, 1993. Prior to that, he was a partner with the law firm of Shearman & Sterling, which has previously performed and is currently performing legal services for Viacom and its subsidiaries.

DIRECTORS' COMPENSATION

Directors of Viacom and Viacom International who are not officers or employees of Viacom, Viacom International or NAI or members of their immediate family ("Outside Directors") are entitled to receive the directors' fees and are eligible to participate in Viacom International's retirement plans described below. Messrs. Abrams, Miller and Schwartz were Outside Directors for the entire 1993 calendar year. Mr. Dauman was an Outside Director until January 31, 1993. Messrs. Huizenga, Ferguson and Salerno became Outside Directors on October 22, 1993, November 20, 1993 and January 27, 1994, respectively. In 1993, only Outside Directors received any compensation for services as a director.

Directors' Fees. Outside Directors received the following fees for the first quarter of 1993: (i) a combined quarterly fee of $6,000 for membership on the Boards of Directors of Viacom and Viacom International, and (ii) a per meeting attendance fee of $1,000 for each Board meeting, $500 for each Audit Committee meeting and $500 for each Compensation Committee meeting (except that only one Board attendance fee is payable when both Boards meet on the same day and only one Audit Committee or Compensation Committee attendance fee is payable when the corresponding committees of both Boards meet on the same day). Effective April 1, 1993, the fees for Outside Directors were increased as follows: (i) a combined quarterly fee of $7,500 for membership on both Boards, (ii) a per meeting attendance fee of $1,500 for each Board meeting (the $500 per meeting attendance fee for each Audit or Compensation Committee remained unchanged), and (iii) a $7,500 annual retainer fee for the Chairman of the Audit Committee (currently Mr. Abrams). Compensation for Messrs. Huizenga and Ferguson's services as Outside Directors for 1993 was paid to Blockbuster and NYNEX, respectively.

Deferred Compensation Plan. In 1989, Viacom International established an unfunded Deferred Compensation Plan permitting participating Outside Directors to defer payment of all of their membership and attendance fees. A participant can elect to have deferred fees credited to an account which shall either accrue interest or be deemed invested in a number of stock units equal to the number of shares of Viacom Common Stock the amount of such fees would have purchased at such time. Since 1989, Messrs. Abrams, Miller and Schwartz have elected to have their fees credited to their stock unit accounts. The Plan permits participants to elect to have amounts credited to a participant's account paid in a lump sum or in three or five annual installments seven months after the director's retirement, with the value of the stock units determined by reference to the fair market values of the Viacom Class A Common Stock and Viacom Class B Common Stock at that time and, if the participant had elected installment payments, credited with interest until payment had been made in full. For 1993, the stock unit accounts of Messrs. Abrams, Miller and Schwartz were credited with 607, 516 and 499 Viacom Class A Common Stock units, respectively, and 648, 552 and 534 Viacom Class B Common Stock units, respectively.

Retirement Income Plan. In 1989, Viacom International established an unfunded, non-qualified Retirement Income Plan pursuant to which each Outside Director will receive annual payments commencing on such director's retirement equal to 100% of the amount of the annual Board membership fees at the time of such retirement, provided he has served on the Boards of both companies for at least three years. The Plan provides that the director or his estate will receive such annual payments for the number of years of such director's service on the Boards (with current Outside Directors receiving credit for their years of service on the Boards of Viacom and Viacom International prior to 1989). Mr. Dauman, who ceased to be an Outside Director in February 1993, will receive payments under this Plan for the period that he was an Outside Director when he retires from the Board.

Outside Directors' Stock Option Plan. In 1993, the Viacom Board of Directors (with Outside Directors Messrs. Abrams, Miller and Schwartz abstaining) adopted the Outside Directors' Plan, subject to the approval of such Plan by the stockholders of Viacom at the Annual Meeting. For a description of such Plan and terms of the one-time grants of stock options thereunder to the Outside Directors, see "Approval of the Viacom Stock Option Plan for Outside Directors" below.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Abrams, Miller, Sumner Redstone, Brent Redstone and Schwartz were members of the Compensation Committee for the entire 1993 calendar year. Mr. Dauman resigned from the Compensation Committee when he became Senior Vice President, General Counsel and Secretary of Viacom and Viacom International on February 1, 1993. Prior to that, he was a partner with the law firm of Shearman & Sterling. Messrs. Huizenga, Ferguson and Salerno became members of the Compensation Committee when they joined the Boards of Directors of Viacom and Viacom International on October 22, 1993, November 20, 1993 and January 27, 1994, respectively. Messrs. Korff and Magner resigned from the Compensation Committee on March 15, 1994 when they resigned from the Boards of Directors of Viacom and Viacom International and Mr. Korff resigned from his position as a Viacom Senior Vice President. Mr. Korff's position as an officer had been purely nominal since he did not have any responsibilities or authority as a Viacom officer and had never received any compensation for such office since Viacom was formed. Mr. Korff had never been eligible to participate in any of Viacom's benefit and incentive plans, including, without limitation, the plans administered by the Compensation Committee.

EXECUTIVE COMPENSATION
COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

All members of the Compensation Committee are non-employee directors. The members include Mr. Sumner Redstone, the controlling stockholder of Viacom. The Committee reviews and, with any changes it believes appropriate, approves Viacom's executive compensation. Independent compensation consultants have advised the Committee with respect to the long-term incentive compensation plans since 1987.

The objectives of the executive compensation package for Viacom's executive officers are to:

-- Set levels of base salary and annual bonus compensation that will attract and retain superior executives in the highly competitive environment of media companies;

-- Provide annual bonus compensation for executive officers that varies directly with Viacom's financial performance and, in the case of executive officers with divisional responsibilities, also with the financial performance of their respective divisions, and, in addition, reflects the executive officer's individual contribution to that performance; and

-- Provide long-term incentive compensation that is tied to Viacom's stock price so as to focus the attention of executives on managing Viacom from the perspective of an owner with an equity stake.

Viacom has just completed an historic transaction in the acquisition of Paramount. It is therefore more crucial than ever that Viacom attract and retain executives with broad media-based experience. The Committee's goal is to develop a compensation package that enables Viacom to accomplish this.

In that connection, the Committee evaluates the competitiveness of its executive compensation packages based on information from a variety of sources, including information supplied by consultants and information obtained from the media or from Viacom's own experience. The Committee also focuses on executive compensation offered by the members of the peer group included in the Performance Graph* set forth below. At times, the Committee also evaluates compensation at a broader range of companies whether or not included in the peer group that have particular lines of business comparable to those of Viacom.

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* As a result of the Paramount Merger and the anticipated Blockbuster Merger, it is likely that the composition of the peer group included in the Performance Graph will be reviewed and adjusted for subsequent years.

While the Committee evaluates this information and has generally attempted to peg overall compensation to the median to 75th percentile level (with base salaries generally being pegged to the median level and annual bonus compensation to the 75th percentile level), it ultimately determines the appropriate compensation for each position based on the requirements and characteristics of that position and the knowledge, skills and abilities of the executive. For Viacom's executive officers as a whole and for Mr. Biondi specifically, the Committee believes that it has achieved its goal of providing overall 1993 compensation, and the base salary and annual bonus components, at the median to 75th percentile level.

Executive Compensation

Executive compensation is comprised of base salary, annual bonus compensation and long-term incentive compensation in the form of stock options and phantom share awards. Long-term incentive compensation for executive officers with divisional responsibilities has also included performance share awards tied to divisional performance.

Base Salaries

Base salary levels for executive officers are consistent with competitive practice and level of responsibility. Base salary levels for the more senior executive officers are generally set forth in the executives' employment contracts and increases in their base salary in 1993 were generally made in accordance with their contracts. Increases in base salary in 1993 for other senior executives were set consistent with the considerations discussed above with respect to base salary levels and increases were within the range of percentages by which the salaries of other senior executives at that level increased. The employment contracts for Mr. Biondi and the other four named executive officers are described under "--Employment Contracts".

Incentive Compensation

Limits to Tax Deductibility of Executive Compensation

The Omnibus Budget Reconciliation Act of 1993 added Section 162(m) to the Internal Revenue Code of 1986, as amended, generally limiting to $1,000,000 the federal tax deductibility of compensation (including stock options) paid to Viacom's Chief Executive Officer and the four most highly compensated officers, other than the Chief Executive Officer, starting with the 1994 calendar year. The tax law change includes an exception to the deduction limitation for performance-based compensation (including stock-based compensation, such as stock options), provided such compensation meets certain requirements, including stockholder approval. The Senior Executive STIP and the New LTMIP have been designed to comply with this exception. The Senior Executive STIP will provide objective performance-based annual bonuses for selected executive officers of Viacom, subject to a maximum limit, starting with the 1994 calendar year. Long-term incentive compensation for Viacom's executive officers will be provided under the New LTMIP starting with the 1994 calendar year, primarily through grants of stock options. The Viacom Board of Directors has adopted, and is recommending that the stockholders approve, the Senior Executive STIP and the New LTMIP. Viacom does not expect compensation paid to Viacom's Chief Executive Officer and the other four most highly compensated officers for 1994 to exceed the Section 162(m) deductibility limit because of the anticipated stockholder approval of the Senior Executive STIP and the New LTMIP, the effect of the "grandfathering" provisions of the tax laws and the deferral of a portion (not in excess of 15%) of annual cash compensation under Viacom International's 401(k) and excess 401(k) plans. For a description of the Senior Executive STIP and the New LTMIP, see "--Approval of the Viacom Inc. Senior Executive Short-Term Incentive Plan" and "--Approval of the Viacom Inc. 1994 Long-Term Management Incentive Plan" below.

Annual Bonus Compensation

Annual bonus compensation for Viacom's executive officers from 1989 through 1993 was provided under Viacom International's Short-Term Incentive Plan (the "STIP"). During each of those calendar years, target levels of annual operating income and cash flow were established for Viacom as a whole and for each of its divisions and subsidiaries. Operating income is defined as revenues less operating expenses (other than depreciation and amortization); cash flow is defined as operating income (as defined) less cash capital expenditures and increases or decreases in working capital and in other balance sheet investments. Historically, the operating income and cash flow goals have generally been given equal weight. Additional targets have also been established for specific divisions and subsidiaries. For 1993, operating income and cash flow goals were given equal weight for Viacom as a whole and were generally given equal weight for its divisions and subsidiaries.

The level of achievement of the applicable corporate or divisional goals determined the aggregate amounts available for funding awards for corporate or divisional executives; the amounts were subject to upward or downward adjustment pursuant to a mathematical formula based on the level of achievement and could exceed 100% of targeted amounts. The aggregate amount available for funding annual bonuses for executive officers with exclusive corporate responsibilities was based exclusively on achievement of Viacom's annual financial targets. For executive officers with divisional responsibilities, most (approximately 80%) of their annual bonuses (including 1993 bonuses) was based on the aggregate amounts available for annual bonuses for their particular divisions, which was determined by the level of achievement of the applicable divisional targets; the remaining 20% was based on the aggregate amount available for annual bonuses for corporate executives.

The Committee approved a specific target bonus for each executive officer which was expressed as a percentage of his salary. These targets are included in the executive officers' employment contracts and for the named executive officers other than Mr. Biondi are described under "--Employment Contracts".

At the beginning of each calendar year, the executive officers were assigned individual goals for that year. The goals for executive officers with divisional responsibilities tended to parallel the applicable divisional goals. At the end of each calendar year, an assessment was made of each executive officer's individual performance. If the officer had achieved 100% of his individual goals, he would receive an award of 100% of his target bonus, assuming the applicable corporate and/or divisional targets had been fully achieved. Thus, since the applicable individual and corporate and/or divisional targets for 1991 and 1992 were both fully met or exceeded, each of the named executives received at least 100% of their target bonus for those years. The applicable individual and corporate targets and the targets of each division, other than the Cable Division, were also fully met or exceeded for 1993 and each of the named executives, other that Mr. Goddard, received at least 100% of their target bonus for 1993. In addition, each of such executives also received a special bonus in recognition of their outstanding personal contributions to such achievement, as well as their special efforts to effect the Paramount Merger. Mr. Goddard's 1993 annual bonus reflected the Cable Division's less than 100% achievement of its targets.

Long-Term Incentive Compensation

The Committee believes that the use of equity-based long-term incentive plans directly links executive interests to enhancing stockholder value.

Viacom's first long-term incentive program was provided under the Viacom Inc. Long-Term Incentive Plan ("LTIP"), established in 1987 after Viacom International was acquired by NAI. The LTIP was developed with the assistance of Towers Perrin, an independent consultant. Since it was crucial to the success of Viacom that it attract and retain the services of experienced executives, the Committee awarded a single substantial grant of phantom shares to Viacom's executive officers as of August 1987. The size of the grant to each executive was within the range assigned to the executive's

relative level of responsibility. Payment for most LTIP phantom shares was accelerated and made in December 1992. The reasons for the acceleration and the operation of the LTIP are described in more detail below.

Most subsequent long-term incentive compensation for Viacom's executive officers has been provided under the five (5) year Viacom Inc. 1989 Long-Term Management Incentive Plan (the "LTMIP") through annual stock option grants. The LTMIP was also developed with the assistance of Towers Perrin.

Payments for phantom shares granted under the LTIP was based on the amount by which the fair market value of the Viacom Common Stock as of certain valuation dates exceeded the initial value of the phantom shares on the date of grant, subject to a $31.23 per share payment limit. These phantom shares had an average initial value of $19.50. In 1990, Viacom issued a share of Viacom Class B Common Stock for each share of Viacom Class A Common Stock then outstanding. As adjusted by the Committee for this stock split, the value of each phantom share was determined by reference to the combined fair market values of a share of Viacom Class A Common Stock and a share of Viacom Class B Common Stock. The first valuation date was December 15, 1992 for 25% of the grant, although a portion of these phantom shares were valued as of December 15, 1990. The second valuation date was December 15, 1993 for another 25% and the final valuation date is December 15, 1994 for the remaining 50%. These phantom shares vested over the three year period from 1987 through 1990.

Subsequent minor grants of LTIP phantom shares were made with initial values set at the fair market value of the Viacom Common Stock at the time of grant.

On December 17, 1992, the Committee approved the acceleration of the valuation and payment to active employees, including Viacom's executive officers, of the LTIP phantom shares granted as of August 1987 that would otherwise be valued and paid after the December 15, 1993 and December 15, 1994 valuation dates. Payment for these phantom shares was made in December 1992 at the same time that payment was made for the LTIP phantom shares with a December 15, 1992 valuation date. The Committee took this action, in part, to preserve individual and corporate tax benefits which might be lost in the future if certain announced tax law changes were enacted. The Committee also took this action because these phantom shares had already reached the $31.23 per share payment limit, thereby reducing their value as incentives to enhancing stockholder value, and because the remaining valuation and payment dates (i.e., December 15, 1993 and December 15, 1994) were more than six or seven years after the original grant. For a description of the acceleration of the valuation and payment of Mr. Biondi's LTIP phantom shares, see "--Chief Executive Officer's Compensation" below.

Under the LTMIP, the Committee awarded annual grants of stock options for Viacom Class B Common Stock to Viacom's executive officers for the years 1990, 1991, 1992 and 1993. The Committee also awarded Mr. Dauman a special one-time grant of 60,000 stock options for Viacom Class B Common Stock as of February 1, 1993 when he became an executive officer of Viacom and Viacom International. The exercise price of all of these stock options was set at the fair market value of the Viacom Class B Common Stock at the time of grant. The grant awarded by the Committee for 1989 consisted of a combination of stock options and phantom shares. Included in Messrs. Biondi, Braun, Goddard and Weinstein's 1989 grant were certain stock options conditioned upon their becoming available from forfeitures by other participants in the LTMIP. After the 1990 stock split, the Committee adjusted the phantom shares granted in 1989 in the same manner that it adjusted the LTIP phantom shares and each stock option granted in 1989 became exercisable for a share of Viacom Class A Common Stock and a share of Viacom Class B Common Stock. All of the stock options granted under the LTMIP are ten-year non-qualified options that become fully exercisable four years after the grant.

The pattern for determining awards to Viacom's executive officers under the LTMIP was essentially consistent with the pattern developed for the the LTIP except that (i) each of the five awards to these officers for the 1989 through 1993 period was approximately one-fifth of the size of the 1987 LTIP grants to executives at their level and (ii) an effort was made to reduce the difference between the grants

at the divisional Chairman level and the grants at the divisional President level. The 1993 LTMIP awards were generally consistent with the pattern described above. The amounts therefore reflected the amounts of outstanding awards, as adjusted for promotions. In addition, from time to time, in determining the amount of the LTMIP awards, special note was taken of either a unique competitive situation or extraordinary individual contributions which had already occurred or were expected in the future. Mr. Dauman's initial LTMIP grant was thus intended in part, to attract him to Viacom and based, in part, in recognition of his extraordinary services to Viacom before he became an executive officer of Viacom.

In 1993, the Viacom Inc. Long-Term Incentive Plan (Divisional) (the "Divisional LTIP") was adopted by the Committee. The Divisional LTIP was developed with the assistance of Frederic W. Cook & Co., Inc. to provide long-term compensation for divisional executives based on the performance of their respective divisions. The Divisional LTIP is designed to provide divisional executives with annual grants of performance shares that vest after three years. Long-term financial and strategic goals are established by the Committee for each division or subsidiary at the time the performance shares are granted. The amount payable for the performance shares is based on the achievement during the three years of those goals, with the amounts payable varying directly with the level of achievement. Amounts are payable if certain, though not all, of the goals are achieved provided certain minimum levels are achieved.

The first grant of performance shares under the Divisional LTIP was made in June 1993 with respect to the three year period that commenced January 1, 1993. The financial goals included the attainment of specified levels of cumulative operating income and average return on net assets employed. In addition, strategic targets were established for specific divisions and subsidiaries. The Committee established the amounts and terms of these grants. Executive officers with divisional responsibilities such as Messrs. Braun and Goddard received a grant under the Divisional LTIP for the three year period that commenced January 1, 1993. The 1992 and 1993 LTMIP grants to these executives were reduced to reflect their participation in the Divisional Plan. It is expected that long-term compensation for 1994 and subsequent years for executive officers with divisional responsibilities will be awarded under the New LTMIP and not under the Divisional LTIP.

Chief Executive Officer's Compensation

Mr. Biondi's compensation package was negotiated in 1987 when he became President, Chief Executive Officer of Viacom and Viacom International. It included his initial base salary and 10% annual rate of increase, his guaranteed annual bonus compensation and a grant of 240,000 LTIP phantom shares. His employment contract is more fully described under "--Employment Contracts".

Mr. Biondi's salary increased during 1993 by the stipulated 10%. His 1993 annual bonus reflected full achievement of Viacom's operating income and cash flow goals for the year. In addition, he received a special bonus in recognition of his outstanding personal contribution to that achievement, as well as his special efforts to effect the Paramount Merger. Mr. Biondi's 1993 stock option award under the LTMIP is consistent with the overall program and is shown in the Summary Compensation Table.

As part of the Committee's approval of the accelerated valuation and payment of the LTIP phantom shares discussed above, the Committee approved the December 1992 payment of Mr. Biondi's LTIP phantom shares with December 15, 1993 and December 15, 1994 valuation dates. Payment was made in shares of Viacom Class B Common Stock with the number of shares based on the fair market value of the Viacom Class B Common Stock on December 17, 1992. The Committee determined that payment to Mr. Biondi in stock, rather than cash, was preferable because Mr. Biondi's LTIP phantom shares, unlike those of other employees, were not subject to the $31.23 per share payment limit, and the payment in stock would allow him to continue to benefit from, and would further link his interests to, increases in stockholder value. As a result of the foregoing, Mr. Biondi recognized taxable income and Viacom International recognized a corresponding deduction, of $10,263,600, of which $3,370,053 was withheld as taxes and the remainder paid as 177,897 shares of Viacom Class B Common Stock, all of

which have been retained by Mr. Biondi. Mr. Biondi also received a cash payment in December 1992 in the amount of $3,421,200 for his LTIP phantom shares with a December 15, 1992 valuation date.

Sumner M. Redstone, Chairman
George S. Abrams
Philippe P. Dauman*
William C. Ferguson
H. Wayne Huizenga
Ira A. Korff**
Jerome Magner**
Ken Miller
Brent D. Redstone
Frederic V. Salerno***
William Schwartz
Members of the Compensation Committee

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* Mr. Dauman resigned from the Compensation Committee on February 1, 1993 when he became an executive officer of Viacom and Viacom International.

** Messrs. Korff and Magner resigned on March 15, 1994 when they resigned from the Boards of Directors of Viacom and Viacom International.

*** Mr. Salerno became a member of the Compensation Committee when he became a director of Viacom and Viacom International on January 27, 1994.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION AT END OF FISCAL 1993	YEAR	ANNUAL COMPENSATION(1) SALARY	BONUS	LONG-TERM COMPENSATION AWARDS SECURITIES UNDERLYING OPTIONS(2)	PAYOUTS LTIP PAYOUTS	ALL OTHER COMPENSATION(3)
Frank J. Biondi, Jr.	1993	$ 1,010,904	$ 1,600,000	90,000	0	$ 65,180
President, Chief Executive	1992	922,045	1,000,000	90,000	$ 13,684,800(4)	46,032
Officer of Viacom and Viacom International	1991	835,151	900,000	90,000	0	--
Neil S. Braun.....	1993	$ 552,115	$ 450,000	30,000	$ 39,038	$ 24,788
Senior Vice President of Viacom	1992	456,130	375,000	30,000	2,037,485(5)	16,275
and Viacom International;	1991	414,087	320,000	36,000	0	--
Chairman, Chief Executive Officer of the Viacom Entertainment Group*						
Philippe P. Dauman.....	1993	$ 553,846	$ 900,000	120,000***	0	0
Senior Vice President, General Counsel and Secretary of Viacom and Viacom International**						
John W. Goddard.....	1993	$ 562,154	$ 500,000	40,500	0	$ 26,500
Senior Vice President of Viacom	1992	513,923	764,664	40,500	$ 4,028,670(5)	32,362
and Viacom International;	1991	474,228	708,000	54,000	0	--
President, Chief Executive Officer of the Viacom Cable Television Division						
Mark M. Weinstein.....	1993	$ 493,039	$ 450,000	30,000	0	$ 23,538
Senior Vice President,	1992	368,538	225,000	30,000	$ 2,014,335(5)	15,118
Government Affairs of Viacom and Viacom International	1991	337,038	300,000	27,000	0	--

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* On March 17, 1994, Mr. Braun relinquished his responsibilities as Chairman, Chief Executive Officer of the Viacom Entertainment Group. Mr. Braun has informed Viacom that he intends to resign as an executive officer of Viacom and Viacom International effective June 30, 1994.

** On March 15, 1994, Mr. Dauman became Executive Vice President, General Counsel, Chief Administrative Officer and Secretary of Viacom and Viacom International.

*** Mr. Dauman received two grants in 1993: a special one-time grant of 60,000 options for Viacom Class B Common Stock as of February 1, 1993 when he joined Viacom and a regular grant of 60,000 options for Viacom Class B Common Stock as of August 1, 1993. See Option Grant Table below.

NOTES:

(1) For 1993, salary and bonus includes compensation deferred under Viacom International's 401(k) and excess 401(k) plans for Mr. Biondi in the amount of $253,285, for Mr. Braun in the amount of $150,000, for Mr. Goddard in the amount of $53,000 and for Mr. Weinstein in the amount of $47,044.

(2) In addition, conditions relating to certain options granted in 1989 were met as follows: for Mr. Biondi for 834 options in 1993, 373 options in 1992 and 1,189 options in 1991; for Mr. Braun for 334 options in 1993, 149 options in 1992 and 475 options in 1991; for Mr. Goddard for 667 options in 1993, 299 options in 1992 and 951 options in 1991; and for Mr. Weinstein for 334 options in 1993, 149 options in 1992 and 475 options in 1991. These options are more fully described above in the "Compensation Committee Report on Executive Compensation".

(3) Includes the following: Viacom International's matching contributions under its 401(k) plan for Mr. Biondi of $4,497 for 1993 and $3,491 for 1992; for Mr. Braun of $1,375 for 1993 and $1,374 for 1992; and for each of Messrs. Goddard and Weinstein of $4,497 for 1993 and $4,364 for 1992; and credits for

(Footnotes continued on following page)

(Footnotes continued from preceding page)

Viacom International's matching contributions under its excess 401(k) plan for Mr. Biondi of $60,682 for 1993 and $42,541 for 1992; for Mr. Braun of $23,413 for 1993 and $14,901 for 1992; for Mr. Goddard of $22,003 for 1993 and $27,998 for 1992; and for Mr. Weinstein of $19,041 for 1993 and $10,754 for 1992. Disclosure regarding these items is not required for calendar year 1991.

(4) Consists of: $3,421,200 paid in cash for Mr. Biondi's LTIP phantom shares with a December 1992 valuation date; and 177,897 shares of Viacom Class B Common Stock valued on December 17, 1992 and $3,370,053 which was withheld as taxes for his LTIP phantom shares for which the valuation and payment was accelerated. Mr. Biondi's LTIP payout is more fully described above in the "Compensation Committee Report on Executive Compensation".

(5) Represents substantially all amounts payable with respect to the LTIP phantom shares granted to the named executives. Includes payment for the LTIP phantom shares with a December 1992 valuation date, as well as the accelerated payment of the LTIP phantom shares with future valuation dates. The amount payable for their LTIP phantom shares was the $31.23 per share payment limit (except for certain minor grants made after 1987). The LTIP payouts are more fully described above in the "Compensation Committee Report on Executive Compensation".

OPTION GRANTS IN FISCAL 1993

The following Option Grant Table includes columns designated "Potential Realizable Gain". The calculations in those columns are based on hypothetical 5% and 10% growth assumptions proposed by the Securities and Exchange Commission. There is no way to anticipate what the actual growth rate of the Viacom Class B Common Stock will be.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE GAIN AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM COMPOUNDED ANNUALLY(1)	
NAME	NUMBER OF SHARES OF VIACOM CLASS B COMMON STOCK UNDERLYING OPTIONS	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1993	EXERCISE PRICE ($/SHARE)	EXPIRATION DATE	5%	10%
Frank J. Biondi, Jr.	90,000(2)	10.74%	$ 55 1/4	7/31/2003	$ 3,127,180	$ 7,924,885
Neil S. Braun.....	30,000(2)	3.58%	55 1/4	7/31/2003	1,042,395	2,641,630
Philippe P. Dauman.....	60,000(3)	7.16%	43 1/4	1/31/2003	2,084,785	5,283,255
	60,000(2)	7.16%	55 1/4	7/31/2003	1,631,980	4,135,760
John W. Goddard.....	40,500(2)	4.83%	55 1/4	7/31/2003	1,407,230	3,566,200
Mark M. Weinstein.....	30,000(2)	3.58%	55 1/4	7/31/2003	1,042,395	2,641,628

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NOTES:

(1) The total potential gain for all five named executives over the ten year term of the options listed in the table would be 37/100 of one percent of the total gain in the Viacom Class B Common Stock value. If the Viacom Class B Common Stock value were to appreciate 5% over the ten year term of the options, the value of all shares of Viacom Class B Common Stock owned by Viacom's stockholders would grow from $3.7 billion to $6.1 billion, a gain of $2.4 billion. If it were to appreciate 10%, the value of all outstanding shares of Viacom Class B Common Stock would grow from $3.7 billion to $9.7 billion, a gain of $6 billion.

(2) These options, which were granted as of August 1, 1993, will vest in one-third increments on August 1, 1995, August 1, 1996 and August 1, 1997. In addition, conditions relating to certain options granted in 1989 were met in 1993 as follows: for Mr. Biondi for 834 options; for Mr. Braun for 334 options; for Mr. Goddard for 667 options; and for Mr. Weinstein for 334 options. These options are more fully described above in the "Compensation Committee Report on Executive Compensation".

(3) These options, which were granted to Mr. Dauman as of February 1, 1993 when he joined Viacom will vest in one-third increments on August 1, 1994, August 1, 1995 and August 1, 1996. These options are more fully described above in the "Compensation Committee Report on Executive Compensation".

AGGREGATED OPTION EXERCISES IN FISCAL 1993
AND VALUE OF OPTIONS AT END OF FISCAL 1993

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES(1) UNDERLYING UNEXERCISED OPTIONS AT END OF FISCAL 1993		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT END OF FISCAL 1993	
			EXERCISABLE	NONEXERCISABLE	EXERCISABLE	NONEXERCISABLE
Frank J. Biondi, Jr.	-0-	-0-	138,000	270,000	$ 2,770,500	$ 2,823,750
Neil S. Braun.....	-0-	-0-	56,000	96,000	1,122,500	1,051,500
Philippe P. Dauman.....	-0-	-0-	0	120,000	0	97,500
John W. Goddard.....	-0-	-0-	84,000	135,000	1,683,750	1,518,750
Mark M. Weinstein.....	-0-	-0-	42,000	87,000	841,875	886,125

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NOTE:

(1) Options listed below are for shares of Viacom Class B Common Stock except that exercisable options include for Mr. Biondi 24,000 options each for a share of Viacom Class A Common Stock and a share of Viacom Class B Common Stock, for Mr. Braun 10,000 of such options, for Mr. Goddard 15,000 of such options and for Mr. Weinstein 7,500 of such options; the aggregate number of exercisable options includes two underlying securities for each of these options.

LONG-TERM INCENTIVE PLANS
AWARDS IN FISCAL 1993

NAME	NUMBER OF PERFORMANCE SHARES	PERFORMANCE PERIOD UNTIL MATURATION(1)	ESTIMATED FUTURE PAYOUTS		
			THRESHOLD	TARGET(2)	MAXIMUM(3)
Frank J. Biondi, Jr.	0	--	--	--	--
Neil S. Braun.....	6,875(4)	1/1/93-12/31/95	$ 24,062.50	--	--
Philippe P. Dauman.....	0	--	--	--	--
John W. Goddard.....	5,600(5)	1/1/93-12/31/95	(5)	--	--
Mark M. Weinstein.....	0	--	--	--	--

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NOTES:

(1) These performance shares vest at the end of the three-year performance period. They are more fully described above in the "Compensation Committee Report on Executive Compensation".

(2) The value of the performance shares will be determined by reference to the performance criteria.

(3) There is no maximum since the value of the performance shares can increase without limit pursuant to the formula established under the performance criteria.

(4) The performance criteria for determining the value of Mr. Braun's shares was based 50% on measuring Viacom Entertainment's cumulative operating income over the three-year period and 50% on the achievement during the three-year period of certain performance criteria which were targeted as key items in executing Viacom Entertainment's strategic plan.

(5) The performance criteria applicable to Mr. Goddard's performance shares is being adjusted by the Compensation Committee to reflect regulatory changes applicable to the Viacom Cable Division.

PENSION PLAN TABLE

REMUNERATION	YEARS OF SERVICE 15	20	25	30	35
$ 50,000	$ 9,546	$ 12,728	$ 15,911	$ 18,297	$ 20,684
100,000	20,796	27,728	34,661	39,860	45,059
200,000	43,296	57,728	72,161	82,985	93,809
300,000	65,796	87,728	109,661	126,110	142,559
400,000	88,296	117,728	147,161	169,235	191,309
500,000	110,796	147,728	184,661	212,360	240,059
600,000	133,296	177,728	222,161	255,485	288,809
700,000	155,796	207,728	259,661	298,610	337,559
800,000	178,296	237,728	297,161	341,735	386,309
900,000	200,796	267,728	334,661	384,860	435,059
1,000,000	223,296	297,728	372,161	427,985	483,809
1,100,000	245,796	327,728	409,661	471,110	532,559
1,200,000	268,296	357,728	447,161	514,235	581,309
1,300,000	290,796	387,728	484,661	557,360	630,059

Under the Viacom Pension Plan, and the Viacom Excess Pension Plan for certain higher compensated employees, an eligible employee will receive a benefit at retirement that is based upon the employee's number of years of benefit service and average annual salary (salary as set forth in the Summary Compensation Table) for the highest 60 consecutive months out of the final 120 months. The benefits under the Viacom Excess Pension Plan are not subject to the Internal Revenue Code provisions that limit the compensation subject to benefits under the Viacom Pension Plan. The number of years of benefit service that have been credited for Messrs. Biondi, Braun, Goddard and Weinstein are approximately 6.6, 5, 27 and 8, respectively. Mr. Dauman has been credited with one year of service under the Viacom Pension Plan; however, the benefits payable under the Viacom Excess Pension Plan shall be calculated as though he had ten years of credited service. The foregoing table illustrates, for representative average annual pensionable compensation and years of benefit service classifications, the annual retirement benefit payable to employees under the Plans upon retirement in 1993 at age 65, based on the straight-life annuity form of benefit payment and not subject to deduction or offset.

PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on the Viacom Class A Common Stock and, as of June 18, 1990, the Viacom Class B Common Stock with the cumulative total return on the companies listed in the Standard & Poor's 500 Stock Index and a Peer Group* of companies (identified below). The total return data was obtained from Standard & Poor's Compustat Services, Inc., which first reported trading activity for the Viacom Class B Common Stock on June 18, 1990.

VIACOM COMMON STOCK
CUMULATIVE TOTAL STOCKHOLDERS RETURN FOR
FIVE-YEAR PERIOD ENDED DECEMBER 31, 1993

December 31...	1988	1989	1990	1991	1992	1993
VIACOM CLASS A	100.00	184.74	166.78	217.61	279.56	310.54
VIACOM CLASS B			159.33	220.80	270.94	290.35
S&P 500	100.00	131.59	127.49	166.17	178.81	196.75
PEER GROUP	100.00	135.32	101.66	131.76	167.40	243.51

Effective June 13, 1990, one share of Viacom Class B Common Stock was issued for each share of Viacom Class A Common Stock then outstanding. The Viacom Class B Common Stock has rights, privileges, restrictions and qualifications identical to the Viacom Class A Common Stock except that shares of Viacom Class B Common Stock have no voting rights other than those required by law. As of April 1, 1994, NAI owned 45,547,214 shares or 85.2% of the Viacom Class A Common Stock and 45,565,414 shares or 51.7% of the Viacom Class B Common Stock. Sumner M. Redstone, the controlling stockholder of NAI, is the Chairman of the Board of Viacom, Viacom International and Paramount.

The performance graph assumes $100 invested on December 31, 1988 in each of the Viacom Class A Common Stock, the S&P 500 Index, and the Peer Group*, including reinvestment of dividends, through the fiscal year ended December 31, 1993. The cumulative total stockholder return on the Viacom Class B Common Stock assumes the investment in Viacom Class B Common Stock as of June 18, 1990 (the first date on which the Viacom Class B Common Stock was publicly traded) of an amount equal to the cumulative total stockholder return on the Viacom Class A Common Stock as of that date ($176.31).

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* The Peer Group consists of the following companies: BHC Communications, Inc.; Cablevision Systems Corp.; Capital Cities/ABC, Inc.; CBS Inc.; Comcast; Gaylord Entertainment Co.; King World Productions Inc.; Liberty Media; Multimedia, Inc.; Paramount; Spelling Entertainment; Tele-Communications, Inc.; The News Corp. Ltd. (ADRs); Time Warner Inc.; and Turner Broadcasting System Inc. As a result of the Paramount Merger and the anticipated Blockbuster Merger, it is likely that the composition of the peer group included in the Performance Graph will be reviewed and adjusted for subsequent years.

EMPLOYMENT CONTRACTS

It is expected that a new employment contract will be entered into shortly with Mr. Biondi to reflect his new responsibilities as a result of the Paramount Merger as the President, Chief Executive Officer of Viacom. Mr. Biondi's current contract provides that he will be employed as President, Chief Executive Officer of Viacom International until July 31, 1995 at a base salary of $966,000 for the contract year that ended July 31, 1993 and $1,063,000 for the following contract year, with an increase for the last annual period of not less that 10%. His current contract also provides that he would receive guaranteed bonus compensation for the contract year that ended July 31, 1993 of not less than $465,850, with 10% annual increases for the two succeeding contract years. Mr. Biondi's current contract provides that, in the event of a change in control of Viacom or Viacom International, he can terminate his contract upon the earlier of one year after the change in control or the last day of the term of his contract and receive his guaranteed bonus compensation for the contract year in which termination occurs pro-rated to the date of termination. Viacom International's obligations under this contract are guaranteed by Viacom.

Mr. Braun's contract currently provides that he will be employed as an executive of Viacom International until December 31, 1995, at a base salary of $550,000 for calendar year 1993, with $50,000 annual increases for the two succeeding calendar years. For the 1993, 1994 and 1995 calendar years, his target bonus is set at 75% of his base salary at the end of each year and his STIP bonus compensation shall not be less than 50% of his base salary at that time. Mr. Braun has informed Viacom that he intends to exercise his contractual right to resign effective June 30, 1994. He will continue to receive his salary and target STIP bonus compensation through December 31, 1995.

Mr. Dauman became Executive Vice President, General Counsel, Chief Administrative Officer and Secretary of Viacom and Viacom International on March 15, 1994. Previously, he had served as Senior Vice President, General Counsel and Secretary of Viacom and Viacom International since February 1, 1993. It is expected that his employment contract will be amended shortly to reflect his new responsibilities. Mr. Dauman's contract currently provides that he will be employed as an executive of Viacom International until January 31, 1998, at a salary of $600,000 for the contract year ending January 31, 1994, with annual increases of not less than 10%. Currently, for the 1993 through 1997 calendar years, his target bonus is set at 100% of his base salary at the end of each year and his STIP bonus compensation shall not be less than 75% of his base salary at that time.

Mr. Goddard's contract provides that he will be employed as an executive of Viacom International until December 31, 1994 at an annual base salary of $560,000 for the 1993 calendar year and $610,000 for the 1994 calendar year. Mr. Goddard's contract provides that his target bonus for each calendar year shall be 100% of his base salary at the end of each year.

Mr. Weinstein became Senior Vice President, Government Affairs of Viacom and Viacom International on February 1, 1993. His contract was amended in 1993 to reflect his new responsibilities. As amended, his contract provides that he will be employed as an executive of Viacom International until December 31, 1997, at a salary of $500,000 for the contract year that began February 1, 1993, with $50,000 annual increases on each February 1st during the employment term. For calendar years 1993 through 1997, his target bonus is set at 75% of his base salary at the end of each year and his STIP bonus compensation shall not be less than 56.25% of his base salary at that time.

APPROVAL OF THE VIACOM INC. SENIOR EXECUTIVE SHORT-TERM INCENTIVE PLAN

The Viacom Board of Directors adopted the Senior Executive STIP on March 31, 1994, subject to the approval of the Senior Executive STIP by the affirmative vote of the holders of a majority of the shares of Viacom Class A Common Stock represented in person or by proxy and entitled to vote at the Viacom Annual Meeting. The Board recommends that the stockholders approve the Senior Executive STIP. Viacom has been advised that NAI intends to vote all of its shares of Viacom Class A Common Stock for the approval of the Senior Executive STIP. Such vote will be sufficient to approve the Senior Executive STIP without any action on the part of any other stockholder of Viacom.

STIP Generally

The following description of the material features of the Senior Executive STIP is qualified in its entirety by the full text of the Senior Executive STIP, as set forth in Exhibit A to this Proxy Statement/Prospectus. The Senior Executive STIP will provide objective performance-based annual bonuses for selected senior executives of Viacom, subject to a maximum limit, starting with the 1994 calendar year, as described in more detail below. Amounts paid under the Senior Executive STIP are intended to qualify as "performance-based compensation" which is excluded from the $1,000,000 limit on deductible compensation set forth in Section 162(m) of the Code.

Administration

The Senior Executive STIP is administered by the Compensation Committee, which is authorized to approve awards to selected executive officers (the "Participants") at the level of Senior Vice President of Viacom or above. Approximately eight officers are expected to participate in the Senior Executive STIP annually. The Compensation Committee must be comprised of at least three directors, each of whom must be an "outside director" within the meaning of Section 162(m) of the Code.

Awards

Prior to the commencement of each calendar year, the Compensation Committee will establish performance criteria and target awards for each Participant, except that, as permitted by Section 162(m) of the Code, the performance criteria and target awards for 1994 were established on March 31, 1994.

The performance criteria relate to the achievement of annual financial goals. Those goals are based on the attainment of specified levels of operating income and/or cash flow for Viacom as a whole. The awards for Participants with exclusive corporate responsibilities are based on achievement of Viacom's financial performance criteria. The awards for Participants with responsibilities for Viacom's divisions and/or subsidiaries is also based on the achievement of performance criteria established by the Compensation Committee for such divisions and/or subsidiaries. Such criteria relate to operating income and/or cash flow levels for such divisions and/or subsidiaries and, in the case of the Viacom Cable Division, also relate to the attainment of specified levels of "customer months" and "ancillary revenues". For this purpose, "operating income" means revenues less operating expenses (other than depreciation and amortization) and "cash flow" means "operating income" less cash capital expenditures and increases or decreases in working capital and in other balance sheet investments. "Customer months" means the number of months for which customers were billed for services other than premium, pay-per-view and ancillary services and "net ancillary revenues" means revenues from premium, pay-per-view and ancillary services less operating costs.

The total of all awards to any Participant for any calendar year shall not exceed the amount determined by multiplying such Participant's base salary in effect on March 31, 1994 by a factor of six (6). In the case of a Participant hired after March 31, 1994, the Participant's salary for this purpose shall be the Participant's base salary on the date of hire. The base salaries of the President, Chief Executive Officer and the other four named executive officers are disclosed under "--Employment Contracts" above.

At the end of each performance year, the Compensation Committee will certify whether the performance criteria have been achieved; if so, the awards have been earned, subject to the Compensation Committee's right, in its sole discretion, to reduce the amount of the award to any Participant to reflect the Compensation Committee's assessment of the Participant's individual performance or for any other reason. These awards are payable in cash as soon as practicable thereafter.

To receive payment of an award, the Participant must have remained in the continuous employ of Viacom or its subsidiaries through the end of the applicable performance period. If Viacom or any subsidiary terminates a Participant's employment other than for "cause" or a Participant becomes "permanently disabled" or dies during a performance period, such Participant or his estate shall be awarded, unless his employment contract provides otherwise, a pro rata portion of the award for such performance period, subject to the Compensation Committee's right, in its sole discretion, to reduce the amount of such award to reflect the Compensation Committee's assessment of such Participant's individual performance prior to the termination of such Participant's employment, such Participant's becoming permanently disabled or such Participant's death, as the case may be, or for any other reason.

Adjustments

In the event that, during a performance period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event, or any extraordinary event, or any other event which distorts the applicable performance criteria occurs involving Viacom or a subsidiary or division thereof, the Compensation Committee shall adjust or modify, as determined by the Compensation Committee in its sole and absolute discretion, the calculation of operating income and/or cash flow, or the applicable performance goals, to the extent necessary to prevent reduction or enlargement of Participants' awards for such performance period attributable to such transaction or event.

The performance goals established for 1994 relate to the achievement of specified levels of operating income and cash flow for Viacom and certain divisions of Viacom International, without giving effect to the Paramount or Blockbuster Mergers. Pursuant to this authorization, the Compensation Committee will adjust the 1994 performance criteria to reflect the Paramount and Blockbuster Mergers.

Transfer Restrictions, Etc.

The rights of a Participant with respect to awards under the Senior Executive STIP are not transferable by the Participant other than by will or the laws of descent and distribution. No award under the Senior Executive STIP will be construed as giving any employee a right to continued employment with Viacom.

STIP Amendment

The Viacom Board of Directors may at any time alter, amend, suspend or terminate the Senior Executive STIP in whole or in part.

APPROVAL OF THE VIACOM INC. 1994 LONG-TERM MANAGEMENT INCENTIVE PLAN

The Viacom Board of Directors adopted the LTMIP on May 26, 1994, subject to the approval of the LTMIP by the affirmative vote of the holders of a majority of the shares of Viacom Class A Common Stock represented in person or by proxy and entitled to vote at the Viacom Annual Meeting. The Board recommends that the stockholders approve the LTMIP. Viacom has been advised that NAI intends to vote all of its shares of Viacom Class A Common Stock for the approval of the LTMIP. Such vote will be sufficient to approve the LTMIP without any action on the part of any other stockholder of Viacom.

LTMIP Generally

The following description of the material features of the LTMIP is qualified in its entirety by the full text of the LTMIP, as set forth in Exhibit B to this Proxy Statement/Prospectus. The purpose of the LTMIP is to benefit and advance the interests of Viacom by rewarding certain key employees for their contributions to the financial success of Viacom and to motivate such employees to continue to do so in the future. This goal is imperative in light of Viacom's recent acquisition of Paramount and its anticipated merger with Blockbuster.

The LTMIP provides for grants of stock options to purchase shares of Viacom Class B Common Stock ("Stock Options"), stock appreciation rights ("SARs"), restricted shares of Viacom Class B Common Stock ("Restricted Shares") and phantom shares ("Phantom Shares"), the terms and conditions of which are described in more detail below. Approximately 750 key employees of Viacom are eligible for grants under the LTMIP. Compensation relating to awards under the LTMIP is generally intended to qualify as "performance-based compensation" which is excluded from the $1,000,000 limit on deductible compensation set forth in Section 162(m) of the Code.

The maximum aggregate number of shares of Viacom Class B Common Stock that may be granted under the LTMIP (whether reserved for issuance upon grants of Stock Options or SARs or granted as Restricted Shares) is 10,000,000. Shares of Viacom Class B Common Stock covered by expired or terminated Stock Options or SARs and Restricted Shares that are forfeited under the terms of the LTMIP will not be counted in applying such limit on grants under the LTMIP. The maximum aggregate number of (i) shares of Viacom Class B Common Stock that may be granted under the LTMIP subject to the Stock Options or SARs or granted as Restricted Shares and (ii) Phantom Shares that may be granted under the LTMIP to any employee at the level of Senior Vice President of Viacom or above during any calendar year is 1,000,000. The fair market value of a share of Viacom Class B Common Stock was $28 5/8 as of June 3, 1994. Grants under the LTMIP are authorized by the Compensation Committee in its sole discretion. For this reason it is not possible to determine the benefits or amounts that will be received by any particular employees or group of employees in the future.

Administration

The LTMIP is administered by the Compensation Committee, which is authorized to select from among the group of eligible employees, those individuals (the "Participants") who are to receive grants under the LTMIP. The Compensation Committee must be comprised of at least three directors, each of whom must be a disinterested person within the meaning of Rule 16b-3 of the Exchange Act.

Stock Options

Stock Options granted under the LTMIP will be either incentive stock options ("Incentive Stock Options") or options that do not qualify as Incentive Stock Options for federal income tax purposes ("Non-Qualified Stock Options"), as determined by the Compensation Committee. The LTMIP further empowers the Compensation Committee, subject to certain limits described below, to determine the exercise price of Stock Options granted under the LTMIP, the vesting schedule applicable to such Stock Options and the period during which they can be exercised. The per share exercise price of Stock Options granted under the LTMIP cannot be, with respect to Nonqualified Stock Options, less than 50% and, with respect to Incentive Stock Options, less than 100% of the fair market value of a share of Viacom Class B Common Stock on the date of grant. No Stock Option granted under the LTMIP can be exercised less than six months after the date of grant or more than ten years after the date of grant. Each share of Viacom Class B Common Stock purchased through the exercise of a Stock Option must be paid in full at the time of exercise in cash or, in the discretion of the Compensation Committee, in shares of Viacom Class B Common Stock (or other Viacom securities designated by the Compensation Committee) or in a combination of cash and shares (or such other securities).

If the Participant's employment terminates for any reason other than death or for "cause", his Stock Options cannot be exercised more than three months after the date of such termination. In the event of a Participant's death, his 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 for one year after such death (or such longer period as may, in a special case, be fixed by the Compensation Committee) but not beyond the expiration date of such Stock Options. In the event of a Participant's permanent disability, he may exercise his Stock Options to the extent exercisable at the onset of such disability for one year after such date but not beyond the expiration date of such Stock Options. If a Participant's employment is terminated for "cause", then, unless the Compensation Committee determines otherwise, all Stock Options (whether or not then vested) will be forfeited by the Participant effective as of the date of such termination.

SARs

The Compensation Committee may grant SARs only in tandem with Stock Options, either at the time of grant or by amendment at any time prior to the exercise, expiration or termination of such Stock Options. Each SAR entitles the holder to surrender the related Stock Option in lieu of exercise for an amount equal to the excess of the fair market value of the share of Viacom Class B Common Stock subject to the Stock Option over the Stock Option exercise price. This amount will be paid in cash or, in the discretion of the Compensation Committee, in shares of Viacom Class B Common Stock (or other Viacom securities designed by the Compensation Committee) or in a combination of cash and shares (or such other securities). No Stock Appreciation Right can be exercised unless the related Stock Option is then exercisable.

Restricted Shares

Restricted Shares granted under the LTMIP will be subject to a vesting schedule established by the Compensation Committee; provided, that no Restricted Shares shall vest until at least six months after the date of grant. The Compensation Committee may, in its discretion, accelerate the dates on which Restricted Shares vest. Stock certificates representing the number of Restricted Shares granted to a Participant under the LTMIP will be registered in the registrant's name as of the date of grant but remain held by Viacom. The Participant will have all rights as a holder of such shares of Viacom Class B Common Stock except that (i) the Participant will not be entitled to delivery of such certificates until the shares represented thereby have vested, (ii) the Restricted Shares cannot be sold, transferred, assigned, pledged or otherwise encumbered or disposed of until such shares have vested, and (iii) if the Participant's employment terminates for any reason or, in the event of the Participant's death, retirement or permanent disability, the Restricted Shares will be forfeited as of the date of such event (unless, in a special case, the Compensation Committee determines otherwise with respect to some or all of the unvested Restricted Shares).

Phantom Shares

The value of the Phantom Shares granted under the LTMIP is determined by reference to the fair market value of a share of Viacom Class B Common Stock and cash payments are made with respect to such Phantom Shares based, subject to any applicable limit on the maximum amount payable, on any increase in value ("appreciation value") determined as of certain valuation dates over their "initial value". The LTMIP empowers the Compensation Committee to determine the initial value of the Phantom Shares as of the date of grant; provided, that the initial value of a Phantom Share shall not be less than 50% of the average fair market value of a share of Viacom Class B Common Stock over the 30-day period ending on the date of grant. The LTMIP further empowers the Compensation Committee to determine the valuation dates (not later than the eighth anniversary of the date of grant) applicable to a grant of Phantom Shares, the period (not in excess of five years from the date of grant) during which the Phantom Shares vest and any limit on the maximum amount of appreciation value payable for the Phantom Shares granted under the LTMIP.

If a Participant's employment terminates for any reason other than for "cause" or, in the event of the Participant's death, retirement or permanent disability, then, unless the Compensation Committee determines otherwise, the cash payments for such Participant's Phantom Shares will be the lesser of the appreciation value determined as of the date of such termination or event or as of the originally scheduled valuation dates and such payments will be made after the originally scheduled valuation dates. All rights with respect to Phantom Shares that are not vested as of the date of such termination or event, as the case may be, will be relinquished by the Participant. If a Participant's employment is terminated for "cause" all Phantom Shares (whether or not vested) will be forfeited by the Participant.

Adjustments

In the event of certain "Reorganization Events" (as defined in the LTMIP) affecting Viacom, the Compensation Committee will take one of the following actions (determined in its sole discretion), unless a given Participant agrees otherwise. With respect to Stock Options, SARs and Restricted Shares, the Compensation Committee will (1) cause the surviving entity or new owner of Viacom to adopt the LTMIP and outstanding agreements (subject to equitable adjustment as specified in the LTMIP), (2) cause the surviving entity or new owner to grant substitute stock options, stock appreciation rights or restricted shares with an equivalent value, (3) solely with respect to outstanding Stock Options, provide for payment upon their termination or cancellation in cash or securities equal to the excess of the fair market value of the shares of Viacom Class B Common Stock subject to such Stock Options over the aggregate exercise price of such Stock Options, or (4) accelerate the vesting dates of outstanding Stock Options, SARs and Restricted Shares. With respect to Phantom Shares granted pursuant to the LTMIP, the Compensation Committee will (1) cause the surviving entity or new owner of Viacom to adopt the LTMIP and outstanding agreements (subject to certain equitable adjustments specified in the LTMIP), or (2) determine the appreciation value of Phantom Shares with reference to the consideration to be paid for the Viacom Class B Common Stock in the Reorganization Event and modify the LTMIP and outstanding agreements, if appropriate, to provide that payments will be based on the appreciation value of the Phantom Shares as so determined. If, however, the Compensation Committee determines that the previous actions would be a material impediment to the Reorganization Event, the Compensation Committee is authorized to take such other action as it deems equitable and appropriate to provide each Participant with a benefit equivalent to that which he would have received had the Reorganization Event not occurred. In the event a division or subsidiary of Viacom is acquired by another entity or Viacom is dissolved, liquidated or reorganized other than in a Reorganization Event, or the Viacom Board of Directors proposes any of such transactions or events, the Compensation Committee is also authorized to make such adjustments, if any, as it determines are equitable or appropriate to provide each Participant with a benefit equivalent to that to which he would have been entitled had such transaction or event not occurred.

In the event of a stock dividend or split or certain other changes in the capital structure of Viacom which affect the Viacom Class B Common Stock, the Compensation Committee will, in its discretion, make any of the following adjustments to provide each Participant with a benefit equivalent to the benefit to which he would have been entitled had such event not occurred: (i) adjust the number of shares of Viacom Class B Common Stock subject to Stock Options or SARs or the number of Restricted Shares or Phantom Shares granted to each Participant, (ii) adjust the exercise price of shares of Viacom Class B Common Stock subject to such Stock Options or SARs or the initial value of such Phantom Shares, and (iii) make any other adjustments, or take such other action, as the Compensation Committee deems appropriate.

Transfer Restrictions, Etc.

The rights of a Participant with respect to the Stock Options, SARs, Restricted Shares or Phantom Shares granted under the LTMIP are not transferable by the Participant other than by will or the laws of descent and distribution. Except as described above, no grant under the LTMIP entitles a Participant

to any rights of a holder of shares of Viacom Class B Common Stock, nor will any grant be construed as giving any employee a right to continued employment with Viacom.

LTMIP Amendment and Term

The Viacom Board of Directors may at any time alter, amend, suspend or terminate the LTMIP in whole or in part, except that any amendment which must be approved by the Viacom stockholders in order to maintain the continued qualification of the LTMIP under Rule 16b-3 under the Exchange Act will not be effective unless and until such stockholder approval has been obtained in compliance with such rule. Unless terminated earlier by action of the Viacom Board of Directors, the LTMIP will terminate on May 26, 1999, and no additional grants under the LTMIP will be made after that date.

Tax Consequences

The following is intended as a general summary of the federal income tax consequences associated with the grant and exercise of Stock Options. This summary does not purport to be complete and does not address any applicable state or local tax law.

Nonqualified Stock Options. In general, the grant of a Nonqualified Stock Option will not result in the recognition of taxable income by the Participant or in a tax deduction to Viacom or its subsidiaries. Upon exercise of a Nonqualified Stock Option, a Participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares purchased over the exercise price of the Nonqualified Stock Option. The amount of the income so recognized is subject to income tax withholding and a tax deduction equal to the amount of such income is allowable to the employing company. Gain or loss upon a subsequent sale of the stock received upon exercise of a Nonqualified Stock Option generally would be taxed as capital gain or loss (long-term or short-term, depending on the holding period of the stock sold). Certain additional rules apply where the Participant is subject to the liability provisions of Section 16(b) of the Exchange Act or if the exercise price for a Nonqualified Stock Option is paid in shares or other securities previously owned by the Participant.

Incentive Stock Options. Neither the grant nor the exercise of an Incentive Stock Option will result in the Participant recognizing income for federal income tax purposes and neither Viacom nor its subsidiaries will be entitled to a tax deduction. However, the excess of the fair market value of the shares over the exercise price on the exercise date will constitute an adjustment to taxable income for purposes of the alternative minimum tax. If the shares acquired upon exercise of an Incentive Stock Option are not disposed of within the one-year period beginning on the date of the transfer of such shares to the Participant, nor within the two-year period beginning on the date of grant of the Incentive Stock Option, any profit realized by the Participant upon the disposition of such shares will be taxed as long-term capital gain and no deduction will be allowed to the employing company. If the shares acquired upon exercise of the Incentive Stock Option are disposed of within the one-year period from the date of transfer of such shares to the Participant or within the two-year period from the date of grant of the Incentive Stock Option, the excess of the fair market value of the shares on the date of exercise or, if less, over exercise price will be taxable as ordinary income of the Participant at the time of disposition, and a corresponding tax deduction to Viacom will be allowable. Certain additional rules apply if the exercise price for an Incentive Stock Option is paid in shares or other securities previously owned by the Participant.

APPROVAL OF THE VIACOM INC. STOCK OPTION PLAN FOR OUTSIDE DIRECTORS

The Viacom Board of Directors adopted (with Outside Directors Messrs. Abrams, Miller and Schwartz abstaining) the Outside Directors' Plan on May 25, 1993, subject to the approval of the Outside Directors' Plan by the affirmative vote of the holders of a majority of the shares of Viacom Class A Common Stock represented in person or by proxy and entitled to vote at the Viacom Annual Meeting. The Board recommends the stockholders approve the Outside Directors' Plan. Viacom has been advised that NAI intends to vote all of its shares of Viacom Class A Common Stock for the

approval of the Outside Directors' Plan. Such vote will be sufficient to approve the Outside Directors' Plan without any action on the part of any other stockholder of Viacom.

Outside Directors' Plan Generally

The following description of the material features of the Outside Directors' Plan is qualified in its entirety by the full text of the Outside Directors' Plan, as set forth in Exhibit C to this Proxy Statement/Prospectus. The Outside Directors' Plan provides for automatic one-time grants of Non-Qualified Stock Options to purchase 5,000 shares of Viacom Class B Common Stock ("Outside Directors' Stock Options") to directors who are not employees of Viacom, Viacom International or NAI ("Outside Directors"). As more fully described below, the six (6) persons who are Outside Directors have received such automatic one-time grants, subject to stockholder approval of the Outside Directors' Plan. The fair market value of a share of Viacom Class B Common Stock was $28 5/8 as of June 3, 1994.

The total number of shares of Viacom Class B Common Stock reserved for issuance upon grant of Outside Directors' Stock Options is 100,000. Shares of Viacom Class B Common Stock covered by expired or terminated Stock Options will not be counted in applying such limit on grants of Outside Directors' Stock Options.

Administration

The Outside Directors' Plan is administered by the members of the Viacom Board of Directors who are not Outside Directors.

Outside Directors' Stock Options

On May 25, 1993, Messrs. Abrams, Miller and Schwartz, who then constituted the Board's Outside Directors, each received an Outside Directors' Stock Option grant with a per share exercise price of $45 1/2 which was the closing price of a share of Viacom Class B Common Stock on the American Stock Exchange on the date of grant, subject to stockholder approval of the Outside Director's Plan.

The Outside Directors' Plan provides that each person who subsequently becomes an Outside Director will receive an Outside Directors' Stock Option grant, effective as of the date of such person's election or appointment to the Board, with a per share exercise price equal to the closing price on that date of a share of Viacom Class B Common Stock on the American Stock Exchange or such other national securities exchange as may be designed by the Viacom Board. Accordingly, Messrs. Huizenga, Ferguson and Salerno each received an Outside Directors' Stock Option grant when they were appointed to the Viacom Board, which grants are subject to stockholder approval of the Outside Directors' Plan. The per share exercise prices of their grants are $53 1/4, $42 1/2 and $36 3/4, respectively, which were the closing prices of a share of the Viacom Class B Common Stock on the American Stock Exchange on the dates of their appointment to the Viacom Board. Mr. Huizenga holds his Outside Directors' Stock Option grant for the benefit of Blockbuster. Messrs. Ferguson and Salerno each hold their Outside Directors' Stock Option grants for the benefit of NYNEX.

Each grant of Outside Directors' Stock Options vests on the first anniversary of the date of grant. No Outside Directors' Stock Option may be exercised less than six months after the date of grant or more than ten years after the date of grant. Each share of Viacom Class B Common Stock purchased through the exercise of an Outside Directors' Stock Option must be paid in full at the time of exercise in cash.

An Outside Director may exercise his Stock Options up to one year after the Outside Director ceases to serve for any reason, including death or permanent disability, as a member of the Board of Directors; provided, however, that the Stock Options are exercisable only to the extent exercisable on the date of termination and in no event after the Stock Options have otherwise expired.

Adjustments

In the event of certain "Reorganization Events" (which are defined identically in the LTMIP, the New LTMIP and the Outside Directors' Plan) affecting Viacom, all of the Outside Director's Stock Options shall be immediately exercisable as of the date of such event. In the event of a stock dividend or split or certain other changes in the capital structure of Viacom which affect the Viacom Class B Common Stock, the Outside Directors' Stock Options will be adjusted in the same manner as the Stock Options under the LTMIP and the New LTMIP are adjusted.

Transfer Restrictions, Etc.

The rights of an Outside Director with respect to the Outside Directors' Stock Options are not transferable by the Outside Director other than by will or the laws of descent and distribution. No grant of Outside Directors' Stock Options entitles an Outside Director to any rights of a holder of shares of Viacom Class B Common Stock, except upon delivery of share certificates upon exercise of an Outside Directors' Stock Option, nor will any such grant be construed as giving an Outside Director the right to remain a member of the Viacom Board.

Amendment and Term

The Viacom Board of Directors may at any time alter, amend, suspend or terminate the Outside Directors' Plan in whole or in part. The provisions with respect to eligibility or the time or amount of grants, however, will not be amended more than once every six months other than to comply with applicable law. Any amendment which must be approved by the Viacom stockholders under the requirements of applicable law or in order to maintain the continued qualification of the Outside Directors' Plan under Rule 16b-3(c)(2)(ii) under the Exchange Act will not be effective unless and until such stockholder approval has been obtained in compliance with such rule. Unless terminated earlier by action of the Viacom Board of Directors, the Outside Directors' Plan will terminate on May 25, 2003, and no additional grants of Outside Directors' Stock Options may be made after that date.

Tax Consequences

For a description of the federal income tax consequences associated with the grant and exercise of the Outside Directors' Stock Options, see the discussion under the "--Approval of the Viacom Inc. 1994 Long-Term Management Incentive Plan--Tax Consequences--Non-Qualified Stock Options" above.

APPROVAL OF APPOINTMENT OF INDEPENDENT AUDITORS

The Board of Directors recommends that the stockholders approve the appointment of Price Waterhouse as independent auditors to serve until the Annual Meeting of Stockholders in 1995.

In connection with the audit function for 1993, Price Waterhouse also reviewed the annual reports on Form 10-K of Viacom and Viacom International and their filings with the Commission, including the filings in connection with the Mergers and provided certain other accounting, tax and consulting services.

Representatives of Price Waterhouse are expected to be present at the Viacom Annual Meeting and will be given an opportunity to make a statement if they so desire. They will also be available to respond to questions at the meeting.

OTHER MATTERS

As of the date of this Proxy Statement/Prospectus, management of Viacom does not intend to present and has not been informed that any other person intends to present any matter for action not specified in this Proxy Statement/Prospectus. If any other matters properly come before the Viacom

Annual Meeting, it is intended that the holders of Viacom Annual Meeting proxies will act in respect thereof in accordance with their best judgment.

VIACOM HAS SENT A COPY OF ITS REPORT ON FORM 10-K/A FOR THE YEAR ENDED DECEMBER 31, 1993, INCLUDING FINANCIAL STATEMENTS AND SCHEDULES THERETO, TO EACH OF ITS STOCKHOLDERS OF RECORD ON MAY 31, 1994 AND EACH BENEFICIAL STOCKHOLDER ON THAT DATE. IF YOU HAVE NOT RECEIVED YOUR COPY, VIACOM WILL PROVIDE A COPY WITHOUT CHARGE (A REASONABLE FEE WILL BE CHARGED FOR EXHIBITS), UPON RECEIPT OF WRITTEN REQUEST THEREFOR MAILED TO VIACOM'S OFFICES, ATTENTION SECRETARY.

EXPERTS

FINANCIAL STATEMENTS

The financial statements incorporated in this Proxy Statement/Prospectus by reference to the Annual Report on Form 10-K, as amended by Form 10-K/A Amendment No. 1, of Viacom for the year ended December 31, 1993 have been so incorporated in reliance on the reports of Price Waterhouse, independent accountants, given on the authority of such firm as experts in auditing and accounting.

The consolidated financial statements of Paramount incorporated by reference in this Proxy Statement/Prospectus and Registration Statement at April 30, 1993 and at October 31, 1992 and 1991, and for the six-month period ended April 30, 1993, and for each of the three years in the period ended October 31, 1992 included in its Transition Report on Form 10-K for the six months ended April 30, 1993, as amended by Form 10-K/A Amendments No. 1, 2 and 3 have been audited by Ernst & Young, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements and schedules of Blockbuster Entertainment Corporation and subsidiaries as of December 31, 1993 and 1992 and for each of the three years in the period ended December 31, 1993 incorporated by reference in this Proxy Statement/Prospectus have been audited by Arthur Andersen & Co., independent certified public accountants, as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

LEGAL OPINIONS

The legality of the Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs and the Viacom Warrants being offered hereby will be passed upon for Viacom by Shearman & Sterling, New York, New York.

STOCKHOLDER PROPOSALS

Any Viacom stockholder who wishes to submit a proposal for presentation to the 1995 Annual Meeting of Stockholders must submit the proposal to Viacom, 1515 Broadway, New York, New York 10036, Attention: Secretary, not later than December 30, 1994, for inclusion, if appropriate, in Viacom's proxy statement and the form of proxy relating to the 1995 Annual Meeting.

By Order of the Board of Directors
VIACOM INC.

PHILIPPE P. DAUMAN
Secretary

By Order of the Board of Directors
PARAMOUNT COMMUNICATIONS INC.

PHILIPPE P. DAUMAN
Secretary

ANNEX I

PARAMOUNT MERGER AGREEMENT

[CONFORMED COPY]

AMENDED AND RESTATED
AGREEMENT AND PLAN OF MERGER

BETWEEN

VIACOM INC.

AND

PARAMOUNT COMMUNICATIONS INC.

DATED AS OF FEBRUARY 4, 1994

INDEX OF DEFINED TERMS

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AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER, dated as of February 4, 1994 (this "Agreement"), between VIACOM INC., a Delaware corporation ("Viacom"), and PARAMOUNT COMMUNICATIONS INC., a Delaware corporation ("Paramount"), amending and restating the Agreement and Plan of Merger, dated as of January 21, 1994, between Viacom and Paramount, as amended (the "January Merger Agreement").

WITNESSETH:

WHEREAS, on January 21, 1994, Viacom and Paramount entered into the January Merger Agreement, pursuant to which Viacom and Paramount agreed to enter into a business combination transaction;

WHEREAS, Viacom and Paramount have determined that it is in the best interest of their respective shareholders to enter into this Agreement so as to facilitate the business combination of the two companies through a first-step cash tender offer and a second-step merger, while preserving the ability to proceed with a single-step merger in appropriate circumstances, and in accordance with the General Corporation Law of the State of Delaware ("Delaware Law"), Paramount and Viacom have agreed to enter into a business combination transaction pursuant to which Paramount will merge with and into Viacom (the "Forward Merger") or alternatively, a subsidiary of Viacom ("Merger Subsidiary") will merge with and into Paramount (the "Reverse Merger" and, together with the Forward Merger, the "Merger");

WHEREAS, in furtherance of the Merger, Viacom has amended and supplemented its outstanding tender offer (as amended and supplemented in accordance with this Agreement, the "Offer") to acquire 61,657,432 shares of common stock, par value $1.00 per share, of Paramount ("Paramount Common Stock"), or such greater number of shares as equals 50.1% of the shares of Paramount Common Stock outstanding on a fully diluted basis (as defined in Section 9.3 herein), for $107.00 per Paramount share (the consideration per share of Paramount Common Stock to be paid pursuant to the Offer being referred to as the "Per Share Amount"), upon the terms and subject to the conditions of this Agreement and the Offer;

WHEREAS, the Board of Directors of Paramount has determined that the Merger and the Offer are consistent with and in furtherance of the long-term business strategy of Paramount and are fair to, and in the best interests of, Paramount and the holders of Paramount Common Stock and has approved and adopted this Agreement and has approved the Merger and the other transactions contemplated hereby (including, without limitation, the Offer) and recommended approval and adoption of this Agreement and approval of the Merger by the stockholders of Paramount and agreed to continue to recommend that stockholders of Paramount tender their shares of Paramount Common Stock pursuant to the Offer;

WHEREAS, the Board of Directors of Viacom has determined that the Merger and the Offer are consistent with and in furtherance of the long-term business strategy of Viacom and are fair to, and in the best interests of, Viacom and its stockholders and has approved and adopted this Agreement and has approved the Merger and the other transactions contemplated hereby (including, without limitation, the making of the Offer) and recommended approval and adoption of this Agreement and approval of the Merger by the holders of the Class A Common Stock, par value $.01 per share, of Viacom (the "Viacom Class A Common Stock");

WHEREAS, for federal income tax purposes, it is intended that the Forward Merger qualify as a reorganization under the provisions of Section 368(a) of the United States Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, concurrently with the execution of the January Merger Agreement and as an inducement to Paramount to enter into the January Merger Agreement, National Amusements, Inc., a Maryland corporation and the majority stockholder of Viacom ("National"), and Paramount entered into a Voting Agreement (the "Voting Agreement") pursuant to which National shall, among other things, vote its shares of Viacom Class A Common Stock in favor of the Merger and the other transactions contemplated by this Agreement, as amended from time to time;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement, the parties hereto agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1. The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with Delaware Law, at the Effective Time (as defined in Section 1.3), Paramount shall be merged with and into Viacom; provided, however, that if, after consulting with Paramount and its professional advisors in good faith, Shearman & Sterling, counsel to Viacom, is unable to deliver an opinion in form and substance reasonably satisfactory to Viacom (such opinion to be based on customary assumptions and representations) that the Forward Merger will qualify as a reorganization under Section 368(a) of the Code, Viacom may elect to cause a subsidiary of Viacom to merge with and into Paramount. As a result of the Forward Merger, the separate corporate existence of Paramount (or, in the case of the Reverse Merger, Merger Subsidiary) shall cease and Viacom (or, in the case of the Reverse Merger, Paramount) shall continue as the surviving corporation of the Merger (the "Surviving Corporation").

SECTION 1.2. Closing. Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Section 8.1 and subject to the satisfaction or, if permissible, waiver of the conditions set forth in Article VII, the consummation of the Merger will take place as promptly as practicable (and in any event within two business days) after satisfaction or waiver of the conditions set forth in Article VII, at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York, unless another date, time or place is agreed to in writing by the parties hereto.

SECTION 1.3. Effective Time. As promptly as practicable after the satisfaction or, if permissible, waiver of the conditions set forth in Article VII, the parties hereto shall cause the Merger to be consummated by filing a certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware in such form as required by, and executed in accordance with the relevant provisions of, Delaware Law (the date and time of such filing, or such later date or time as set forth therein, being the "Effective Time").

SECTION 1.4. Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of Delaware Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, except as otherwise provided herein, all the property, rights, privileges, powers and franchises of Viacom (or, in the case of the Reverse Merger, Merger Subsidiary) and Paramount shall vest in the Surviving Corporation, and all debts, liabilities and duties of Viacom (or, in the case of the Reverse Merger, Merger Subsidiary) and Paramount shall become the debts, liabilities and duties of the Surviving Corporation.

SECTION 1.5. Certificate of Incorporation; By-Laws. (a) At the Effective Time of the Forward Merger, the Certificate of Incorporation and the By-Laws of Viacom, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation and the By-Laws of the Surviving Corporation.

(b) Alternatively, at the Effective Time of the Reverse Merger, the Certificate of Incorporation and By-Laws, respectively, of the Surviving Corporation shall be amended and restated in their entirety to read as the Certificate of Incorporation and By-Laws of Merger Subsidiary.

SECTION 1.6. Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Viacom, Paramount or the holders of any of the following securities:

(a) In the event that the Offer has been consummated prior to the Effective Time, each share of Paramount Common Stock issued and outstanding immediately prior to the Effective Time (other than any shares of Paramount Common Stock to be canceled pursuant to Section 1.6(c) and any Dissenting Shares (as defined in Section 1.10)) shall be converted into the right to receive

(A) .93065 shares of Class B common stock, par value $0.01 per share ("Viacom Class B Common Stock"), of Viacom, (B) $17.50 principal amount of 8% exchangeable subordinated debentures (the "Viacom Merger Debentures") of Viacom having the principal terms described in Annex B, (C) .93065 contingent value rights of Viacom (the "CVRs") having the principal terms described in Annex C, (D) .50 warrants (the "Three Year Warrants") of Viacom having the principal terms described in Annex D and (E) .30 warrants (the "Five Year Warrants", and together with the Three Year Warrants, the "Warrants") of Viacom having the principal terms described in Annex E; provided, however, that, in any event, if between the date of this Agreement and the Effective Time the outstanding shares of Viacom Class B Common Stock or Paramount Common Stock shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, the amounts of Viacom Class B Common Stock, Viacom Merger Debentures, CVRs and Warrants specified above shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares. All such shares of Paramount Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each certificate previously evidencing any such shares shall thereafter represent the right to receive, upon the surrender of such certificate in accordance with the provisions of Section 1.7 certificates evidencing (a) such number of whole shares of Viacom Class B Common Stock and (b) such number of whole CVRs, Viacom Merger Debentures and Warrants into which such Paramount Common Stock was converted in accordance herewith. The holders of such certificates previously evidencing such shares of Paramount Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Paramount Common Stock except as otherwise provided herein or by law. No fractional share of Viacom Class B Common Stock or fractional CVR, Viacom Merger Debenture or Warrant shall be issued and, in lieu thereof, a cash payment shall be made pursuant to Section 1.7(d).

(b) In the event that the Offer has not been consummated prior to the Effective Time:

(i) subject to the further provisions of this Section 1.6, each share of Paramount Common Stock issued and outstanding immediately prior to the Effective Time (other than any shares of Paramount Common Stock to be canceled pursuant to Section 1.6(c) and any Dissenting Shares), shall be converted, subject to Section 1.7(d), into the right to receive (A)(i) .93065 of a share of Viacom Class B Common Stock (the "Class B Exchange Ratio"); (ii) $17.50 principal amount of Viacom Merger Debentures (the "Debenture Exchange Ratio"); (iii) .93065 CVRs (the "CVR Exchange Ratio"); (iv) .50 Three Year Warrants (the "Three Year Warrant Exchange Ratio"); and (v) .30 Five Year Warrants (the "Five Year Warrant Exchange Ratio", and together with the Class B Exchange Ratio, the Debenture Exchange Ratio, the CVR Exchange Ratio and Three Year Warrant Exchange Ratio, the "Exchange Ratios"), (B) $107.00 in cash (the "Per Share Cash Amount") or (C) a combination of shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants and cash determined in accordance with Sections 1.6(b)(iv), (v) and (vi); provided, however, that, in any event, if between the date of this Agreement and the Effective Time the outstanding shares of Viacom Class B Common Stock, Viacom Merger Debentures or Paramount Common Stock shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, the Exchange Ratios and Per Share Cash Amount shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares. All such shares of Paramount Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each certificate previously evidencing any such shares shall thereafter represent the right to receive, upon the surrender of such certificate in accordance with the provisions of Section 1.7 and in accordance with the allocation procedures set forth in

this Section 1.6, (i) certificates evidencing (x) such number of whole shares of Viacom Class B Common Stock and (y) such number of whole CVRs, Viacom Merger Debentures and Warrants into which such Paramount Common Stock was converted in accordance with the Exchange Ratios and/or (ii) the Per Share Cash Amount multiplied by the number of shares of Paramount Common Stock previously evidenced by the canceled certificate. The holders of such certificates previously evidencing such shares of Paramount Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Paramount Common Stock except as otherwise provided herein or by law. No fractional share of Viacom Class B Common Stock or fractional CVR, Viacom Merger Debenture or Warrant shall be issued and, in lieu thereof, a cash payment shall be made pursuant to Section 1.7(d).

(ii) Subject to the election and allocation procedures set forth in this Section 1.6, each holder of record of shares of Paramount Common Stock as of the record date for the meeting of stockholders of Paramount referred to in Section 6.7 will be entitled to (A) elect to receive certificates evidencing such number of whole shares of Viacom Class B Common Stock and (y) such number of whole CVRs, Viacom Merger Debentures and Warrants into which such number of shares of Paramount Common Stock would be converted in accordance with the Exchange Ratios (a "Securities Election"), (B) elect to receive the Per Share Cash Amount multiplied by such number of shares of Paramount Common Stock (a "Cash Election"), or (C) indicate that such holder has no preference as to the receipt of cash or shares of Viacom Class B Common Stock and CVRs, Viacom Merger Debentures and Warrants in exchange for such shares of Paramount Common Stock (a "Non-Election"). All such elections shall be made on a form designed for that purpose and mutually acceptable to Viacom and Paramount (a "Form of Election") and mailed to holders of record of shares of Paramount Common Stock as of the record date for the meeting of stockholders of Paramount referred to in Section 6.7. Holders of record of shares of Paramount Common Stock who hold such shares as nominees, trustees or in other representative capacities ("Representatives") may submit multiple Forms of Election, provided that such Representative certifies that each such Form of Election covers all the shares of Paramount Common Stock held by such Representative for a particular beneficial owner entitled to so elect pursuant to the first sentence of this Section 1.6(b)(ii). Elections shall be made by holders of Paramount Common Stock by mailing to the Exchange Agent (as defined in Section 1.7) properly completed and signed Forms of Election. In order to be effective, a Form of Election must be received by the Exchange Agent no later than the close of business on the last business day prior to the Effective Time. All elections may be revoked until the last business day prior to the Effective Time. Viacom shall have the discretion, which it may delegate in whole or in part to the Exchange Agent, to determine whether Forms of Election have been properly completed and signed and properly and timely submitted or revoked and to disregard immaterial defects in Forms of Election, and any good faith decision of Viacom or the Exchange Agent in such matters shall be binding and conclusive. Neither Viacom nor the Exchange Agent shall be under any obligation to notify any person of any defect in a Form of Election. Any holder of shares of Paramount Common Stock who fails to make an election and any holder who fails to submit to the Exchange Agent a properly completed and signed and properly and timely submitted Form of Election shall be deemed to have made a Non-Election.

(iii) The aggregate number of shares of Paramount Common Stock to be converted into the right to receive cash in the Merger (the "Cash Election Number") shall be equal to 50.1% of the number of shares of Paramount Common Stock outstanding immediately prior to the Effective Time, and the aggregate number of shares of Paramount Common Stock to be converted into the right to receive shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures and Warrants in the Merger (the "Securities Election Number") shall be

equal to 49.9% of the number of shares of Paramount Common Stock outstanding immediately prior to the Effective Time.

(iv) If the aggregate number of shares of Paramount Common Stock with respect to which Cash Elections have been made plus Dissenting Shares (the "Cash Election Shares") exceeds the Cash Election Number, all shares of Paramount Common Stock with respect to which Securities Elections have been made (the "Securities Election Shares") and all shares of Paramount Common Stock with respect to which Non-Elections have been made (the "Non-Election Shares") shall be converted into the right to receive shares of Viacom Class B Common Stock and CVRs, Viacom Merger Debentures and Warrants, and the Cash Election Shares (other than Dissenting Shares) shall be converted into the right to receive shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants and cash in the following manner:

each Cash Election Share (other than Dissenting Shares) shall be converted into the right to receive (i) an amount in cash, without interest, equal to the product of (x) the Per Share Cash Amount and (y) a fraction (the "Cash Fraction"), the numerator of which shall be the Cash Election Number and the denominator of which shall be the total number of Cash Election Shares, (ii) a number of shares of Viacom Class B Common Stock equal to the product of (x) the Class B Exchange Ratio and (y) a fraction equal to one minus the Cash Fraction, (iii) a number of CVRs equal to the product of (x) the CVR Exchange Ratio and (y) a fraction equal to one minus the Cash Fraction, (iv) a principal amount of Viacom Merger Debentures equal to the product of (x) the Debenture Exchange Ratio and (y) a fraction equal to one minus the Cash Fraction, (v) a number of Three Year Warrants equal to the product of (x) the Three Year Warrant Exchange Ratio and (y) a fraction equal to one minus the Cash Fraction and (vi) a number of Five Year Warrants equal to the product of (x) the Five Year Warrant Exchange Ratio and (y) a fraction equal to one minus the Cash Fraction.

(v) If the aggregate number of Securities Election Shares exceeds the Securities Election Number, all Cash Election Shares (other than Dissenting Shares) and all Non-Election Shares shall be converted into the right to receive cash, and all Securities Election Shares shall be converted into the right to receive shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants and cash in the following manner:

each Securities Election Share shall be converted into the right to receive (i) a number of shares of Viacom Class B Common Stock equal to the product of (x) the Class B Exchange Ratio and (y) a fraction (the "Securities Fraction"), the numerator of which shall be the Securities Election Number and the denominator of which shall be the total number of Securities Election Shares, (ii) a number of CVRs equal to the product of (x) the CVR Exchange Ratio and (y) the Securities Fraction, (iii) the principal amount of Viacom Merger Debentures equal to the product of (x) the Debenture Exchange Ratio and (y) the Securities Fraction, (iv) a number of Three Year Warrants equal to the product of (x) the Three Year Warrant Exchange Ratio and (y) the Securities Fraction, (v) a number of Five Year Warrants equal to the product of (x) the Five Year Warrant Exchange Ratio and (y) the Securities Fraction and (vi) an amount in cash, without interest, equal to the product of (x) the Per Share Cash Amount and (y) a fraction equal to one minus the Securities Fraction.

(vi) In the event that neither Section 1.6(b)(iv) nor Section k 1.6(b)(v) above is applicable, all Cash Election shares shall be converted into the right to receive cash, all Securities Election Shares shall be converted into the right to receive shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures and Warrants, and the Non-Election

Shares, if any, shall be converted into the right to receive shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants and cash in the following manner:

each Non-Election Share shall be converted into the right to receive (i) an amount in cash, without interest, equal to the product of (x) the Per Share Cash Amount and (y) a fraction (the "Non-Election Fraction"), the numerator of which shall be the excess of the Cash Election Number over the total number of Cash Election Shares and the denominator of which shall be the excess of (A) the number of shares of Paramount Common Stock outstanding immediately prior to the Effective Time over (B) the sum of the total number of Cash Election Shares and the total number of Securities Election Shares, (ii) a number of shares of Viacom Class B Common Stock equal to the product of (x) the Class B Exchange Ratio and (y) a fraction equal to one minus the Non-Election Fraction, (iii) a number of CVRs equal to the product of (x) the CVR Exchange Ratio and (y) a fraction equal to one minus the Non-Election Fraction, (iv) the principal amount of Viacom Merger Debentures equal to the product of (x) the Debenture Exchange Ratio and (y) a fraction equal to one minus the Non-Election Fraction, (v) a number of Three Year Warrants equal to the product of (x) the Three Year Warrant Exchange Ratio and (y) a fraction equal to one minus the Non-Election Fraction and (vi) a number of Five Year Warrants equal to the product of (x) the Five Year Warrant Exchange Ratio and (y) a fraction equal to one minus the Non-Election Fraction.

(vii) The Exchange Agent shall make all computations contemplated by this Section 1.6 and all such computations shall be binding and conclusive on the holders of Paramount Common Stock.

(c) Each share of Paramount Common Stock held in the treasury of Paramount and each share of Paramount Common Stock owned by Viacom or any direct or indirect wholly owned subsidiary of Viacom or of Paramount immediately prior to the Effective Time shall automatically be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(d) In the Reverse Merger, each share of common stock of Merger Subsidiary issued and outstanding immediately prior to the Effective Time shall be converted into and exchanged for one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

SECTION 1.7. Exchange of Certificates and Cash. (a) Exchange Agent. As of the Effective Time (in the case of a Merger to which Section 1.6(a) applies) or promptly after completion of the allocation procedures set forth in Section 1.6 (in the case of a Merger to which Section 1.6(b) applies), Viacom shall deposit, or shall cause to be deposited, with or for the account of a bank or trust company designated by Viacom, which shall be reasonably satisfactory to Paramount (the "Exchange Agent"), for the benefit of the holders of shares of Paramount Common Stock (other than Dissenting Shares), for exchange in accordance with this Article I, through the Exchange Agent, (i) certificates evidencing the shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the Warrants and the CVRs issuable pursuant to Section 1.6 in exchange for outstanding shares of Paramount Common Stock and (ii) cash, if any, in the aggregate amount required to be exchanged for shares of Paramount Common Stock pursuant to Section 1.6 (the "Exchange Cash Consideration") (such certificates for shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the Warrants and the CVRs, together with any dividends or distributions with respect thereto, and the Exchange Cash Consideration, if any, being hereafter collectively referred to as the "Exchange Fund"). The Exchange Agent shall, pursuant to irrevocable instructions, deliver the shares of Viacom Class B Common Stock, the Viacom Merger Debentures, Warrants, CVRs and cash, if any, contemplated to be issued pursuant to Section 1.6 out of the Exchange Fund to holders of shares of Paramount Common Stock. Except as contemplated by Section 1.7(d) hereof, the Exchange Fund shall not be used for any other purpose. Any interest, dividends or other income earned on the investment of cash or other property held in the Exchange Fund shall be for the account of Viacom.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, Viacom will instruct the Exchange Agent to mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time evidenced outstanding shares of Paramount Common Stock (other than Dissenting Shares) (the "Certificates"), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Viacom may reasonably specify) and (ii) instructions to effect the surrender of the Certificates in exchange for the certificates evidencing shares of Viacom Class B Common Stock, the Viacom Merger Debentures, CVRs, Warrants and cash. Upon surrender of a Certificate for cancellation to the Exchange Agent together with such letter of transmittal, duly executed, and such other customary documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor (A) certificates evidencing that number of whole shares of Viacom Class B Common Stock and that number of whole CVRs, Viacom Merger Debentures and Warrants which such holder has the right to receive in accordance with Section 1.6 in respect of the shares of Paramount Common Stock formerly evidenced by such Certificate, (B) cash, if any, which such holder has the right to receive in accordance with Section 1.6, (C) any dividends or other distributions to which such holder is entitled pursuant to Section 1.7(c), and (D) cash in lieu of fractional shares of Viacom Class B Common Stock and fractional CVRs, Viacom Merger Debentures and Warrants to which such holder is entitled pursuant to Section 1.7(d) (the shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants, dividends, distributions and cash described in clauses (A), (B), (C) and (D) being, collectively, the "Merger Consideration"), and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of shares of Paramount Common Stock which is not registered in the transfer records of Paramount, shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants and cash may be issued and paid in accordance with this Article I to a transferee if the Certificate evidencing such shares of Paramount Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 1.7, each Certificate shall be deemed at any time after the Effective Time to evidence only the right to receive upon such surrender the Merger Consideration.

(c) Distributions With Respect to Unexchanged Shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures and Warrants. No dividends or other distributions declared or made after the Effective Time with respect to shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures and Warrants with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures or Warrants they are entitled to receive until the holder of such Certificate shall surrender such Certificate.

(d) Fractional Shares, CVRs, Viacom Merger Debentures and Warrants. (i) No fraction of a share of Viacom Class B Common Stock or fraction of a CVR, Viacom Merger Debenture or Warrant shall be issued in the Merger. In lieu of any such fractional shares or fractional CVRs, Viacom Merger Debentures or Warrants, each holder of Paramount Common Stock entitled to receive shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures and Warrants in the Merger, upon surrender of a Certificate for exchange pursuant to this Section 1.7, shall be paid (1) an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the per share closing price on the American Stock Exchange ("AMEX") of Viacom Class B Common Stock on the date of the Effective Time (or, if shares of Viacom Class B Common Stock do not trade on the AMEX on such date, the first date of trading of such Viacom Class B Common Stock on the AMEX after the Effective Time) by (y) the fractional interest in Viacom Class B Stock to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such

holder) plus (2) an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one CVR, as determined by reference to a five day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors by (y) the fractional interest in a CVR to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder) plus (3) an amount in cash (without interest) rounded to the nearest cent, determined by multiplying (x) the fair market value of one Three Year Warrant, as determined by reference to a five day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors by (y) the fractional interest in a Three Year Warrant to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder) plus (4) an amount in cash (without interest) determined in accordance with clause (ii) of this Section 1.7(d) in respect of the fractional interest in a Viacom Merger Debenture to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder) plus (5) an amount in cash (without interest) rounded to the nearest cent, determined by multiplying (x) the fair market value of one Five Year Warrant, as determined by reference to a five day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors by (y) the fractional interest in a Five Year Warrant to which such holder would otherwise be entitled (after taking into account all shares of Paramount Common Stock then held of record by such holder). (ii) The Viacom Merger Debentures shall be issued in the Merger only in principal amounts of $1,000 or integral multiples thereof. Holders of shares of Paramount Common Stock otherwise entitled to fractional amounts of Viacom Merger Debentures shall be entitled to receive promptly from the Exchange Agent a cash payment in an amount equal to such holder's proportionate interest (after taking into account all shares of Paramount Common Stock then held of record by such holder) in the proceeds from the sale or sales in the open market by the Exchange Agent, on behalf of all such holders, of the aggregate fractional principal amount of Viacom Merger Debentures.

(e) Termination of Exchange Fund. Any portion of the Exchange Fund which remains undistributed to the holders of Paramount Common Stock for six months after the Effective Time shall be delivered to Viacom, upon demand, and any holders of Paramount Common Stock who have not theretofore complied with this Article I shall thereafter look only to Viacom for the Merger Consideration to which they are entitled pursuant to this Article I.

(f) No Liability. Neither Viacom nor Paramount shall be liable to any holder of shares of Paramount Common Stock for any such shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants (or dividends or distributions with respect thereto) or cash from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(g) Withholding Rights. Viacom or the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Paramount Common Stock such amounts as Viacom or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Viacom or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Paramount Common Stock in respect of which such deduction and withholding was made by Viacom or the Exchange Agent.

SECTION 1.8. Stock Transfer Books. At the Effective Time, the stock transfer books of Paramount shall be closed, and there shall be no further registration of transfers of shares of Paramount Common Stock thereafter on the records of Paramount. On or after the Effective Time, any Certificates

presented to the Exchange Agent or Viacom for any reason shall be converted into the Merger Consideration.

SECTION 1.9. Stock Options; Payment Rights. (a) At the Effective Time, Paramount's obligations with respect to each outstanding Stock Option (as defined in Section 3.3) to purchase shares of Paramount Common Stock, as amended in the manner described in the following sentence, shall be assumed by Viacom. The Stock Options so assumed by Viacom shall continue to have, and be subject to, the same terms and conditions as set forth in the stock option plans and agreements pursuant to which such Stock Options were issued as in effect immediately prior to the Effective Time, except that each such Stock Option shall be exercisable for (i) that number of whole shares of Viacom Class B Common Stock equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by the Class B Exchange Ratio and rounded up to the nearest whole number of shares of Viacom Class B Common Stock, (ii) that number of whole CVRs equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by the CVR Exchange Ratio and rounded up to the nearest whole number of CVRs; provided, that, if the option holder has not exercised his or her Stock Option prior to the maturity of the CVRs, then the CVRs described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the amount by which the Target Price (as defined in Annex C hereto) exceeds the greater of the Current Market Value (as defined in Annex C hereto) and the Minimum Price (as defined in Annex C hereto) on the applicable maturity date multiplied by the number of such CVRs, rounded up to the nearest whole number of shares, (iii) that number of whole Three Year Warrants equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by the Three Year Warrant Exchange Ratio and rounded up to the nearest whole number of Three Year Warrants; provided, that, if the option holder has not exercised his or her Stock Option prior to the third anniversary of the Effective Time, then the Three Year Warrants described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the fair market value of such Three Year Warrants (as determined by reference to the average trading price for the five-day trading period immediately prior to the third anniversary of the Effective Time, if available, or, if not available, in the reasonable judgment of the Viacom Board of Directors), rounded up to the nearest whole number of shares; (iv) that number of whole Five Year Warrants equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by the Five Year Warrant Exchange Ratio and rounded up to the nearest whole number of Five Year Warrants; provided, that, if the option holder has not exercised his or her Stock Option prior to the fifth anniversary of the Effective Time, then the Five Year Warrants described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the fair market value of such Five Year Warrants (as determined by reference to the average trading price for the five-day trading period immediately prior to the fifth anniversary of the Effective Time, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors), rounded up to the nearest whole number of shares; and (v) that (A) principal amount of whole Viacom Merger Debentures equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by the Debenture Exchange Ratio plus an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Merger Debenture, as determined by reference to a five day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors by (y) the fractional interest in a Viacom Merger Debenture to which such option holder would otherwise be entitled or (B) if issued, that number of whole shares of Viacom Exchange Preferred Stock (as defined in Annex B) equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .35 and rounded up to the nearest whole number of shares of Viacom Exchange Preferred Stock or (C) if issued, that principal amount of whole Viacom Exchange Debentures (as defined in Annex B) equal to the

product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by the Debenture Exchange Ratio plus an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Exchange Debenture, as determined by reference to a five day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors by (y) the fractional interest in a Viacom Exchange Debenture to which such option holder would otherwise be entitled, provided that there shall be no such rounding up with respect to Incentive Stock Options (as defined below). Viacom shall (i) reserve for issuance the number of shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures and Warrants that will become issuable upon the exercise of such Stock Options pursuant to this Section 1.9 and (ii) promptly after the Effective Time, issue to each holder of an outstanding Stock Option a document evidencing the assumption by Viacom of Paramount's obligations with respect thereto under this Section 1.9. Nothing in this Section 1.9 shall affect the schedule of vesting with respect to the Stock Options to be assumed by Viacom as provided in this Section 1.9. In the case of any Stock Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code (an "Incentive Stock Option"), the option price, the number and type of shares purchasable pursuant to such Incentive Stock Option and the terms and conditions of exercise of such Incentive Stock Option shall be determined immediately after the Effective Time in such manner as to comply with Section 424(a) of the Code. To preserve the qualification of all Incentive Stock Options under Section 422 of the Code, (i) in addition to the Viacom Class B Common Stock and (ii) in lieu of all CVRs, Viacom Merger Debentures or Warrants for which an Incentive Stock Option would otherwise become exercisable pursuant to the foregoing provisions of this Section 1.9, such Incentive Stock Option shall become exercisable for that number of shares of Viacom Class B Common Stock equal to the fair market value of such CVRs, Viacom Merger Debentures or Warrants (determined, at the time of the Merger, by reference to a five-day average trading price of such securities, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors).

SECTION 1.10. Dissenting Shares. (a) Notwithstanding any other provision of this Agreement to the contrary, shares of Paramount Common Stock that are outstanding immediately prior to the Effective Time and which are held by stockholders who shall have not voted in favor of the Merger or consented thereto in writing and who shall have demanded properly in writing appraisal for such shares in accordance with Section 262 of Delaware Law and who shall not have withdrawn such demand or otherwise have forfeited appraisal rights (collectively, the "Dissenting Shares") shall not be converted into or represent the right to receive the Merger Consideration. Such stockholders shall be entitled to receive payment of the appraised value of such shares of Paramount Common Stock held by them in accordance with the provisions of such Section 262, except that all Dissenting Shares held by stockholders who shall have failed to perfect or who effectively shall have withdrawn or lost their rights to appraisal of such shares of Paramount Common Stock under such Section 262 shall thereupon be deemed to have been converted into and to have become exchangeable, as of the Effective Time, for the right to receive, without any interest thereon, the Merger Consideration (as if such Shares were Non-Election Shares in the case of a Merger to which section 1.6(b) applies), upon surrender, in the manner provided in Section 1.7, of the certificate or certificates that formerly evidenced such shares of Paramount Common Stock.

(b) Paramount shall give Viacom (i) prompt notice of any demands for appraisal received by Paramount, withdrawals of such demands, and any other instruments served pursuant to Delaware Law and received by Paramount and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under Delaware Law. Paramount shall not, except with the prior written consent of Viacom, make any payment with respect to any demands for appraisal, or offer to settle, or settle, any such demands.

ARTICLE II

THE OFFER

SECTION 2.1. The Offer. (a) Viacom has amended and supplemented the Offer to (i) provide that the purchase price offered for shares pursuant to the Offer shall be the Per Share Amount, (ii) provide that the obligation of Viacom to accept for payment and pay for Shares tendered pursuant to the Offer shall be subject to the condition (as such condition may be amended in accordance with the terms hereof, the "Minimum Condition") that at least 61,657,432 shares of Paramount Common Stock (or such greater number of shares as equals 50.1% of the shares of Paramount Common Stock then outstanding on a fully diluted basis) shall have been validly tendered and not withdrawn prior to the expiration of the Offer, that the Board of Directors of Paramount, in accordance with Section 3.13 of this Agreement, shall have amended the Rights Agreement to make the Rights (such terms being used as defined in Section 3.13) inapplicable to the Offer and the Merger as contemplated by Section 3.13 or the Rights shall be otherwise inapplicable to the Offer and the Merger (the "Rights Condition"), and also shall be subject to the satisfaction of the other conditions set forth in Annex A hereto and (iii) extend the expiration date of the Offer until Midnight on February 14, 1994. Viacom expressly reserves the right to waive any such condition (other than the Minimum Condition), to increase the aggregate cash consideration to be paid pursuant to the Offer and to increase the number of shares of Paramount Common Stock sought in the Offer; provided, however, that no change may be made without the prior written consent of Paramount which decreases the number of shares of Paramount Common Stock sought in the Offer below 50.1% of the outstanding shares of Paramount Common Stock on a fully diluted basis; which decreases the aggregate cash consideration payable in the Offer or changes the form of consideration payable in the Offer (except to the extent the Other Offeror (as defined below) has made such changes with the consent of Paramount); or which imposes conditions to the Offer in addition to those set forth in Annex A hereto. Notwithstanding the foregoing sentence, so long as the Other Offeror is bound by substantially identical restrictions made for the benefit of Paramount, Viacom shall not amend the Offer in order to increase by less than $60 million the aggregate cash consideration to be paid pursuant to the Offer or increase the number of shares of Paramount Common Stock for which tenders are sought by less than 2% of the outstanding shares of Paramount Common Stock. The Per Share Amount shall, subject to applicable withholding of taxes, be net to the seller in cash, upon the terms and subject to the conditions of the Offer. Subject to the terms and conditions of the Offer (including, without limitation, the Minimum Condition and the terms of this Agreement), Viacom shall pay, as promptly as practicable after expiration of the Offer, for all shares of Paramount Common Stock validly tendered and not withdrawn at the earliest such time following expiration of the Offer that all conditions to the Offer shall have been waived or satisfied by Viacom.

(b) Viacom has filed with the Securities and Exchange Commission (the "SEC") an amendment to its Tender Offer Statement on Schedule 14D-1 (together with all amendments and supplements thereto, the "Schedule 14D-1") with respect to the Offer. The Schedule 14D-1 contains or incorporates by reference an amendment and supplement to the offer to purchase (the "Offer to Purchase") and forms of the related letter of transmittal and any related summary advertisement (the Schedule 14D-1, the Offer to Purchase and such other documents, together with all supplements and amendments thereto, being referred to herein collectively as the "Offer Documents"). Viacom and Paramount agree to correct promptly any information provided by any of them for use in the Offer Documents which shall have become false or misleading, and Viacom further agrees to take all steps necessary to cause the Schedule 14D-1 as so corrected to be filed with the SEC and the other Offer Documents as so corrected to be disseminated to holders of shares of Paramount Common Stock, in each case as and to the extent required by applicable federal securities laws.

(c) (i) Notwithstanding the amendment of the Offer, Viacom shall be free to terminate the Offer at any time subject to its continuing obligations to consummate the Merger, including without limitation pursuant to Sections 6.6 and 6.10, provided that prior to such termination of the Offer,

Viacom shall have determined in good faith that either (x) terminating the Offer will facilitate the earlier consummation of the Merger in accordance with the terms of this Merger Agreement or (y) the conditions to the Offer (other than the Minimum Condition and the Rights Condition) are unlikely to be satisfied. Notwithstanding the foregoing, Viacom hereby agrees that, without the written consent of Paramount, it may not terminate the Offer unless required to terminate pursuant to Section 2.5 hereof or extend the Expiration Date (as defined below) except for failure to satisfy a condition at the Expiration Date, at any time that all of the conditions to the Offer have been satisfied or that there exists no material risk that the conditions will not be satisfied by such Expiration Date, provided, Viacom may extend the Expiration Date pursuant to this Section 2.1(c), Sections 2.1(a), 2.1(d) and 2.3 hereof or any such extension required by Federal securities laws. (ii) No extension of the expiration date (such expiration date as extended from time to time shall be defined herein to mean the "Expiration Date") permitted pursuant to this Agreement shall be for a period of less than three business days, and the Expiration Date shall not be extended for any reason beyond 12:00 midnight on February 14, 1994, or such later date in accordance with the last parenthetical of Section 2.1(d)(ii), Section 2.3, or as required by law to the extent that the extension arises due to an event outside the control of Viacom (those events not deemed to be outside the control of the Offeror shall include, without limitation, any change in the terms of the Offer or the Merger) (the "Final Expiration Date"); Viacom agrees that it will not increase the price per share of Paramount Common Stock payable in the Offer or the Merger or otherwise amend the Offer or the terms of the Merger primarily to extend the expiration date of the tender offer by QVC Network, Inc. ("QVC") (the "Other Offeror") to purchase the outstanding shares of Paramount Common Stock (the "Other Offer"). Any amendment to the Offer or any change in the consideration offered to the Paramount stockholders in the Merger that results in an extension of the Expiration Date shall be publicly announced by 5:00 p.m. on the date of such amendment or change. Viacom hereby agrees that it shall not (a) seek to amend or waive any provision of this Agreement that is substantially identical to the provisions relating to the bidding procedures contained in the Other Exemption Agreement (the "Bidding Procedures") or (b) publicly announce an intention to take an action which is not otherwise permitted, or refrain from taking an action which is required, under the terms of this Agreement relating to the Bidding Procedures.

(d) In order to cause the Offer and the Other Offer to remain on the same time schedule, Viacom hereby agrees that if the Other Offeror remains subject to an agreement (the "Other Exemption Agreement"), containing terms for the benefit of Paramount substantially similar to the form of exemption agreement between Viacom and Paramount dated as of December 22, 1993, as amended (the "Exemption Agreement"), and (i) extends the expiration date of the Other Offer (such expiration date, as extended from time to time, the "Other Expiration Date") in accordance with the Other Exemption Agreement, then the Expiration Date shall be extended (as soon as practicable, but not later than one business day following the announcement of the extension of the Other Expiration Date) by Viacom to the Other Expiration Date, or (ii) if upon notification to Paramount by Viacom and the Other Offeror of the results of their respective offers (which notification shall be required to be delivered by Viacom and the Other Offeror no later than promptly following the expiration of their respective offers), Paramount has notified Viacom and the Other Offeror (which notification shall be required to be delivered by Paramount promptly) that a number of shares of Paramount Common Stock that would satisfy the Minimum Condition or the minimum condition defined in the Other Offer (which under no circumstances may be less than 50.1% of the outstanding shares of Paramount Common Stock on a fully diluted basis) (the "Other Minimum Condition") shall not have been validly tendered (and not withdrawn) pursuant to either the Offer or the Other Offer, respectively, at the Expiration Date (or a number of shares of Paramount Common Stock that would satisfy the Minimum Condition and the Other Minimum Condition shall have been validly tendered and not withdrawn pursuant to both the Offer and the Other Offer at the Expiration Date), then Viacom shall extend the Expiration Date of the Offer for a period of 10 business days.

(e) Viacom shall be subject to the obligations of Sections 2.1(c)(ii), 2.1(d) and 2.5 for so long as the Other Offeror remains subject to the obligations set forth in the Other Exemption Agreement;

provided, however, that Viacom shall not be subject to Sections 2.1(c)(ii), 2.1(d) and 2.5 in the event that the Other Offeror has not performed or complied in all material respects with the Other Exemption Agreement.

SECTION 2.2. Action by Paramount. (a) Paramount hereby approves of and consents to the making of the Offer and represents that (i) the Board of Directors of Paramount, at a meeting duly called and held on February 4, 1994, has unanimously (A) determined that the Offer and the Merger, taken together, are fair to and in the best interests of the holders of shares of Paramount Common Stock, (B) approved and adopted this Agreement and the transactions contemplated hereby and (C) recommended that the stockholders of Paramount approve and adopt this Agreement and the transactions contemplated hereby and accept the Offer, and (ii) Lazard Freres & Co. has delivered to the Board an opinion on February 4, 1994, to the effect that, as of such date, the consideration to be received by the holders of shares of Paramount Common Stock pursuant to the Offer and the Merger, taken together, is fair to the holders of shares of Paramount Common Stock from a financial point of view. Subject to the fiduciary duties of the Board of Directors of Paramount under applicable law as advised by independent legal counsel (who may be such party's regularly engaged legal counsel), Paramount hereby consents to the inclusion in the Offer Documents prepared in connection with the Offer of the recommendation of the Board of Directors of Paramount described in the immediately preceding sentence.

(b) As soon as reasonably practicable after the date hereof, Paramount shall file with the SEC an amendment to its Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments and supplements thereto, the "Schedule 14D-9") containing, subject to the fiduciary duties of the Board of Directors of Paramount under applicable law as advised by independent legal counsel (who may be such party's regularly engaged legal counsel), the recommendation of the Board of Directors of Paramount described in Section 2.2(a) and shall disseminate the Schedule 14D-9 to the extent required by Rule 14e-2 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other applicable federal securities laws. Paramount and Viacom agree to correct promptly any information provided by any of them for use in the Schedule 14D-9 which shall have become false or misleading, and Paramount further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and disseminated to holders of shares of Paramount Common Stock, in each case as and to the extent required by applicable federal securities laws.

(c) Paramount shall promptly furnish Viacom with mailing labels containing the names and addresses of all record holders of shares of Paramount Common Stock and with security position listings of shares of Paramount Common Stock held in stock depositories, each as of a recent date, together with all other available listings and computer files containing names, addresses and security position listings of record holders and beneficial owners of shares of Paramount Common Stock. Paramount shall furnish Viacom with such additional information, including, without limitation, updated listings and computer files of stockholders, mailing labels and security position listings, and such other assistance as Viacom or its agents may reasonably request. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger or the Offer, Viacom shall hold in confidence the information contained in such labels, listings and files, shall use such information only in connection with the Merger and the Offer, and, if this Agreement shall be terminated in accordance with Section 8.1, shall deliver to Paramount all copies of such information then in its possession.

SECTION 2.3. Receipt of Common Stock. Unless the event referred to in the last parenthetical of Section 2.1(d)(ii) that would satisfy the Minimum Condition occurs, in the event that a number of shares of Paramount Common Stock shall have been validly tendered and not withdrawn in the Offer at the Expiration Date and, as of such Expiration Date, Viacom has waived all conditions to the Offer (other than the Minimum Condition and the conditions relating to the Rights Agreement, Article XI of

the Paramount Certificate of Incorporation, Section 203 of Delaware Law and judicial or governmental injunction, each as set forth therein), then Viacom shall extend the Expiration Date to a date 10 business days from the then scheduled Expiration Date; provided, that such extension shall be for a period of 5 business days in the event that the Other Offer has been terminated prior to the foregoing Expiration Date.

SECTION 2.4. Completion Certificate. At such time as Viacom has fulfilled the terms of Section 2.3 above, Viacom shall deliver to the Board of Directors of Paramount a certificate (the "Completion Certificate"), executed by an authorized officer of Viacom, certifying that all the terms of Section 2.3 have been fulfilled.

SECTION 2.5. Termination of the Offer. Unless the event referred to in the last parenthetical of Section 2.1(d)(ii) occurs, Viacom hereby agrees to terminate the Offer at such time as Viacom has been notified pursuant to a certificate executed by an authorized officer of Paramount that (i) a number of shares of Paramount Common Stock that would satisfy the Other Minimum Condition shall have been validly tendered to the Other Offer and not withdrawn at the Other Expiration Date of the Other Offer, (ii) all conditions to the Other Offer, except the Other Minimum Condition and the conditions relating to the Rights Agreement, Article XI of the Paramount Certificate of Incorporation, Section 203 of the Delaware Law and judicial or governmental injunction, each as set forth therein, shall have been waived and (iii) a completion certificate from the Other Offeror has been delivered to Paramount; provided, however, that Viacom shall not be required to terminate the Offer in the event that the Other Offeror has not performed or complied in all material respects with the Other Exemption Agreement.

SECTION 2.6. Board of Directors; Section 14(f). (a) If requested by Viacom, Paramount shall, promptly following the acceptance for payment of the shares of Paramount Common Stock to be purchased pursuant to the Offer, and from time to time thereafter, take all actions necessary to cause a majority of directors (and of members of each committee of the Board of Directors) of Paramount and of each subsidiary of Paramount to be comprised of the designees of Viacom (whether, at the request of Viacom, by means of increasing the size of the Board of Directors of Paramount or seeking the resignation of directors and causing Viacom's designees to be elected); provided, that prior to receipt by Viacom of long-form approval by the Federal Communications Commission (the "FCC") permitting Viacom to control Paramount, Paramount shall take all actions necessary to elect the Viacom voting trustee approved by the FCC to the Paramount Board of Directors and to otherwise act in a manner consistent with the voting trust agreement approved by the FCC.

(b) Paramount's obligations to cause designees of Viacom to be elected or appointed to the Board of Directors of Paramount shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. Paramount shall promptly take all actions required pursuant to Section 14(f) and Rule 14f-1 in order to fulfill its obligations under this Section, and shall include in the Schedule 14D-9 such information with respect to Viacom and its officers and directors as is required under Section 14(f) and Rule 14f-1. Viacom will supply to Paramount any information with respect to it and its nominees, officers, directors and affiliates required by Section 14(f) and Rule 14f-1.

(c) Following the election or appointment of Viacom's designees pursuant to this Section and prior to the Effective Time, any amendment or termination of this Agreement, extension for the performance or waiver of the obligations or other acts of Viacom or waiver of Paramount's rights hereunder, will require the concurrence of a majority of directors of Paramount then in office who are directors on the date hereof or are designated by a majority of the directors of Paramount who are directors on the date hereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARAMOUNT

Paramount hereby represents and warrants to Viacom that:

SECTION 3.1. Organization and Qualification; Subsidiaries. (a) Each of Paramount and each Material Paramount Subsidiary (as defined below) is a corporation, partnership or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, have a Paramount Material Adverse Effect (as defined below). Paramount and each Material Paramount Subsidiary is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, have a Paramount Material Adverse Effect. The term "Paramount Material Adverse Effect" means any change or effect that is or is reasonably likely to be materially adverse to the business, results of operations or financial condition of Paramount and the Paramount Subsidiaries, taken as a whole; provided, however, where such term qualifies a representation or warranty contained in this Article III during the period beginning after the date hereof and until the Effective Time, then such term shall mean any change or effect that is or is reasonably likely to be materially adverse to the business or financial condition of Paramount and the Paramount Subsidiaries, taken as a whole.

(b) Each subsidiary of Paramount (a "Paramount Subsidiary") that constitutes a Significant Subsidiary of Paramount within the meaning of Rule 1-02 of Regulation S-X of the SEC is referred to herein as a "Material Paramount Subsidiary".

SECTION 3.2. Certificate of Incorporation and By-Laws. Paramount has heretofore made available to Viacom a complete and correct copy of the Certificate of Incorporation and the By-Laws or equivalent organizational documents, each as amended to date, of Paramount and each Material Paramount Subsidiary. Such Certificates of Incorporation, By-Laws and equivalent organizational documents are in full force and effect. Neither Paramount nor any Material Paramount Subsidiary is in violation of any provision of its Certificate of Incorporation, By-Laws or equivalent organizational documents, except for such violations that would not, individually or in the aggregate, have a Paramount Material Adverse Effect.

SECTION 3.3. Capitalization. The authorized capital stock of Paramount consists of 600,000,000 shares of Paramount Common Stock and 75,000,000 shares of Preferred Stock, par value $.01 per share ("Paramount Preferred Stock"). As of February 3, 1994, 121,937,762 shares of Paramount Common Stock were issued and outstanding, all of which were validly issued, fully paid and nonassessable. As of February 3, 1994, 25,924,286 shares were held in the treasury of Paramount. As of January 31, 1994, 9,409,208 shares were reserved for future issuance pursuant to Paramount's 1992 Stock Option Plan and 1989 Stock Option Plan (any employee stock option issued under any such plan being a "Stock Option") and reserved for future issuance under the Long-Term Incentive Plan. Between August 31, 1993 and the date of this Agreement, awards have been made under the Long-Term Performance Plan as indicated on Schedule 3.3. As of February 3, 1994, options to acquire 2,398,060 shares of Paramount Common Stock were outstanding. As of the date hereof, no shares of Paramount Preferred Stock are issued and outstanding. Except as set forth in Section 3.3 of the Disclosure Schedule previously delivered by Paramount to Viacom (the "Paramount Disclosure Schedule"), or except as set forth in this Section 3.3, and except pursuant to the Rights Agreement (as defined in Section 3.13), there are no options, warrants or other rights, agreements, arrangements or commitments of any character relating

to the issued or unissued capital stock of Paramount or any Material Paramount Subsidiary or obligating Paramount or any Material Paramount Subsidiary to issue or sell any shares of capital stock of, or other equity interests in, Paramount or any Material Paramount Subsidiary. All shares of Paramount Common Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. Except as set forth in Section 3.3 of the Paramount Disclosure Schedule, there are no material outstanding contractual obligations of Paramount or any Paramount Subsidiary to repurchase, redeem or otherwise acquire any shares of Paramount Common Stock or any capital stock of any Material Paramount Subsidiary, or make any material investment (in the form of a loan, capital contribution or otherwise) in, any Paramount Subsidiary or any other person. Each outstanding share of capital stock of each Material Paramount Subsidiary is duly authorized, validly issued, fully paid and nonassessable and each such share owned by Paramount or another Paramount Subsidiary is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on Paramount's or such other Paramount Subsidiary's voting rights, charges and other encumbrances of any nature whatsoever. Set forth in Section 3.3 of the Disclosure Schedule is Paramount's percentage interest in the outstanding capital stock or partnership interests of USA Networks, United Cinemas International Multiplex B.V., United International Pictures and Cinamerica Theatres, L.P.

SECTION 3.4. Authority Relative to This Agreement. Paramount has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions (including, without limitation, the Offer) contemplated hereby (the "Transactions"). The execution and delivery of this Agreement by Paramount and the consummation by Paramount of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of Paramount are necessary to authorize this Agreement or to consummate the transactions contemplated hereby (other than, with respect to the Merger, the approval and adoption of this Agreement by the holders of a majority of the then outstanding shares of Paramount Common Stock, and the filing and recordation of appropriate merger documents as required by Delaware Law). This Agreement has been duly and validly executed and delivered by Paramount and, assuming the due authorization, execution and delivery by Viacom, constitutes a legal, valid and binding obligation of Paramount, enforceable against Paramount in accordance with its terms. Paramount has taken all appropriate actions so that the restrictions on business combinations contained in Section 203 of Delaware Law and Article XI of Paramount's Certificate of Incorporation will not apply with respect to or as a result of the Transactions.

SECTION 3.5. No Conflict; Required Filings and Consents. (a) Except as set forth in Section 3.05 of the Disclosure Schedule, the execution and delivery of this Agreement by Paramount does not, and the performance by Paramount of its obligations under this Agreement will not, (i) conflict with or violate the Certificate of Incorporation or By-Laws or equivalent organizational documents of Paramount or any Material Paramount Subsidiary, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Paramount or any Paramount Subsidiary or by which any property or asset of Paramount or any Paramount Subsidiary is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of Paramount or any Paramount Subsidiary pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Paramount or any Paramount Subsidiary is a party or by which Paramount or any Paramount Subsidiary or any property or asset of Paramount or any Paramount Subsidiary is bound or affected, except, in the case of clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay consummation of the Merger or the Offer in any material respect, or otherwise prevent Paramount from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Paramount Material Adverse Effect.

(b) The execution and delivery of this Agreement by Paramount does not, and the performance of this Agreement by Paramount will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign (each a "Governmental Entity"), except (i) for (A) applicable requirements, if any, of the Exchange Act, the Securities Act of 1933, as amended (the "Securities Act"), state securities or "blue sky" laws ("Blue Sky Laws") and state takeover laws, (B) applicable requirements of the Communications Act of 1934, as amended (the "Communications Act"), and of state and local governmental authorities, including state and local authorities granting franchises to operate cable systems, (C) applicable requirements of the Investment Canada Act of 1985 and the Competition Act (Canada), (D) filing and recordation of appropriate merger documents as required by Delaware Law and (E) applicable requirements, if any, of any non-United States competition, antitrust and investment laws and (ii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay consummation of the Merger or the Offer in any material respect, or otherwise prevent Paramount from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Paramount Material Adverse Effect.

SECTION 3.6. Compliance. Except as set forth in Section 3.6 of the Paramount Disclosure Schedule, neither Paramount nor any Paramount Subsidiary is in conflict with, or in default or violation of, (i) any law, rule, regulation, order, judgment or decree applicable to Paramount or any Paramount Subsidiary or by which any property or asset of Paramount or any Paramount Subsidiary is bound or affected, or (ii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Paramount or any Paramount Subsidiary is a party or by which Paramount or any Paramount Subsidiary or any property or asset of Paramount or any Paramount Subsidiary is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Paramount Material Adverse Effect.

SECTION 3.7. SEC Filings; Financial Statements. Except as set forth in Section 3.7 of the Paramount Disclosure Schedule, (a) Paramount has filed all forms, reports and documents required to be filed by it with the SEC since October 31, 1990, and has heretofore made available to Viacom, in the form filed with the SEC (excluding any exhibits thereto), (i) its Annual Reports on Form 10-K for the fiscal years ended October 31, 1990, 1991 and 1992, respectively, (ii) its Transition Report on Form 10-K for the six months ended April 30, 1993, as amended, (iii) its Quarterly Reports on Form 10-Q for the periods ended July 31, 1993 and October 31, 1993, (iv) all proxy statements relating to Paramount's meetings of stockholders (whether annual or special) held since October 31, 1990, and (v) all other forms, reports and other registration statements (other than Quarterly Reports on Form 10-Q not referred to in clause (iii) above and preliminary materials) filed by Paramount with the SEC since October 31, 1990 (the forms, reports and other documents referred to in clauses (i), (ii), (iii), (iv) and (v) above being referred to herein, collectively, as the "Paramount SEC Reports"). The Paramount SEC Reports and any forms, reports and other documents filed by Paramount with the SEC after the date of this Agreement (x) were or will be prepared in accordance with the requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations thereunder and (y) did not at the time they were filed, or will not at the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No Paramount Subsidiary is required to file any form, report or other document with the SEC.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the Paramount SEC Reports was prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented the financial position, results of operations and cash flows of Paramount and the consolidated Paramount Subsidiaries as at the respective dates thereof and for the respective periods indicated therein (subject, in the case of unaudited statements, to normal

and recurring year-end adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

(c) Except as set forth in Section 3.7 of the Paramount Disclosure Schedule or except as and to the extent set forth in the Paramount SEC Reports filed with the SEC prior to the date of this Agreement, Paramount and the Paramount Subsidiaries do not have any liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) other than liabilities and obligations which would not, individually or in the aggregate, have a Paramount Material Adverse Effect.

SECTION 3.8. Absence of Certain Changes or Events. Since April 30, 1993, except as contemplated by this Agreement or as set forth in Section 3.8 of the Paramount Disclosure Schedule, contemplated by this Agreement or disclosed in any Paramount SEC Report filed since April 30, 1993 and prior to the date of this Agreement, Paramount and the Paramount Subsidiaries have conducted their businesses only in the ordinary course and in a manner consistent with past practice and, since April 30, 1993, there has not been (i) as of the date hereof, any change, occurrence or circumstance in the business, results of operations or financial condition of Paramount or any Paramount Subsidiary having, individually or in the aggregate, a Paramount Material Adverse Effect, (ii) any damage, destruction or loss (whether or not covered by insurance) with respect to any property or asset of Paramount or any Paramount Subsidiary and having, individually or in the aggregate, a Paramount Material Adverse Effect, (iii) any change by Paramount in its accounting methods, principles or practices, (iv) any declaration, setting aside or payment of any dividend or distribution in respect of any capital stock of Paramount or any Paramount Subsidiary or any redemption, purchase or other acquisition of any of their respective securities other than regular quarterly dividends on the shares of Paramount Common Stock not in excess of $.20 per share and dividends by a Paramount Subsidiary to Paramount and other than to fund pre-established Paramount Plans and dividend reinvestment plans, or (v) other than as set forth in Section 3.3 and pursuant to the plans, programs or arrangements referred to in Section 3.10 and other than in the ordinary course of business consistent with past practice, any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, or any other increase in the compensation payable or to become payable to any officers or key employees of Paramount or any Paramount Subsidiary.

SECTION 3.9. Absence of Litigation. Except as set forth in Section 3.9 of the Paramount Disclosure Schedule or except as disclosed in the Paramount SEC Reports filed with the SEC prior to the date of this Agreement, there is no claim, action, proceeding or investigation pending or, to the best knowledge of Paramount, threatened against Paramount or any Paramount Subsidiary, or any property or asset of Paramount or any Paramount Subsidiary, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, which, individually or in the aggregate, is reasonably likely to have a Paramount Material Adverse Effect. Except as disclosed in the Paramount SEC Reports filed with the SEC prior to the date of this Agreement, neither Paramount nor any Paramount Subsidiary nor any property or asset of Paramount or any Paramount Subsidiary is subject to any order, writ, judgment, injunction, decree, determination or award having or reasonably likely to have, individually or in the aggregate, a Paramount Material Adverse Effect.

SECTION 3.10. Employee Benefit Plans. With respect to all the employee benefit plans, programs and arrangements maintained for the benefit of any current or former employee, officer or director of Paramount or any Paramount Subsidiary (the "Paramount Plans"), except as set forth in Section 3.10 of the Paramount Disclosure Schedule or the Paramount SEC Reports and except as would not, individually or in the aggregate, have a Paramount Material Adverse Effect: (i) each Paramount Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service (the "IRS") that it is so qualified and nothing has occurred since the date of such letter that could reasonably be expected to affect the qualified status of such

Paramount Plan; (ii) each Paramount Plan has been operated in all respects in accordance with its terms and the requirements of applicable law; (iii) neither Paramount nor any Paramount Subsidiary has incurred any direct or indirect liability under, arising out of or by operation of Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), in connection with the termination of, or withdrawal from, any Paramount Plan or other retirement plan or arrangement, and no fact or event exists that could reasonably be expected to give rise to any such liability; and (iv) Paramount and the Paramount Subsidiaries have not incurred any liability under, and have complied in all material respects with, the Worker Adjustment Retraining Notification Act, and no fact or event exists that could give rise to liability under such act. Except as set forth in Section 3.10 of the Paramount Disclosure Schedule or the Paramount SEC Reports, the aggregate accumulated benefit obligations of each Paramount Plan subject to Title IV of ERISA (as of the date of the most recent actuarial valuation prepared for such Paramount Plan) do not exceed the fair market value of the assets of such Paramount Plan (as of the date of such valuation).

SECTION 3.11. Trademarks, Patents and Copyrights. Paramount and the Paramount Subsidiaries own or possess adequate licenses or other valid rights to use all material patents, patent rights, trademarks, trademark rights, trade names, trade name rights, copyrights, service marks, trade secrets, applications for trademarks and for service marks, know-how and other proprietary rights and information used or held for use in connection with the business of Paramount and the Paramount Subsidiaries as currently conducted or as contemplated to be conducted, and Paramount is unaware of any assertion or claim challenging the validity of any of the foregoing which, individually or in the aggregate, would have a Paramount Material Adverse Effect. The conduct of the business of Paramount and the Paramount Subsidiaries as currently conducted does not conflict in any way with any patent, patent right, license, trademark, trademark right, trade name, trade name right, service mark or copyright of any third party that, individually or in the aggregate, would have a Paramount Material Adverse Effect. To the best knowledge of Paramount, there are no infringements of any proprietary rights owned by or licensed by or to Paramount or any Paramount Subsidiary which, individually or in the aggregate, would have a Paramount Material Adverse Effect.

SECTION 3.12. Taxes. Paramount and the Paramount Subsidiaries have timely filed all federal, state, local and foreign tax returns and reports required to be filed by them through the date hereof and shall timely file all returns and reports required on or before the Effective Time, except for such returns and reports the failure of which to file timely would not, individually or in the aggregate, have a Paramount Material Adverse Effect. Such reports and returns are and will be true, correct and complete, except for such failure to be true, correct and complete as would not, individually or in the aggregate, have a Paramount Material Adverse Effect. Paramount and the Paramount Subsidiaries have paid and discharged all federal, state, local and foreign taxes due from them, other than such taxes that are being contested in good faith by appropriate proceedings and are adequately reserved as shown in the audited consolidated balance sheet of Paramount dated October 31, 1992 (the "Paramount 1992 Balance Sheet") and its most recent quarterly financial statements, except for such failures to so pay and discharge which would not, individually or in the aggregate, have a Paramount Material Adverse Effect. Neither the IRS nor any other taxing authority or agency, domestic or foreign, is now asserting or, to the best knowledge of Paramount, threatening to assert against Paramount or any Paramount Subsidiary any deficiency or material claim for additional taxes or interest thereon or penalties in connection therewith which, if such deficiencies or claims were finally resolved against Paramount and the Paramount Subsidiaries would, individually or in the aggregate, have a Paramount Material Adverse Effect. The accruals and reserves for taxes (including interest and penalties, if any, thereon) reflected in the Paramount 1992 Balance Sheet and the most recent quarterly financial statements are adequate in accordance with generally accepted accounting principles, except where the failure to be adequate would not have a Paramount Material Adverse Effect. Paramount and the Paramount Subsidiaries have withheld or collected and paid over to the appropriate governmental authorities or are properly holding for such payment all taxes required by law to be withheld or collected, except for such

failures to have so withheld or collected and paid over or to be so holding for payment which would not, individually or in the aggregate, have a Paramount Material Adverse Effect. There are no material liens for taxes upon the assets of Paramount or the Paramount Subsidiaries, other than liens for current taxes not yet due and payable and liens for taxes that are being contested in good faith by appropriate proceedings. Neither Paramount nor any Paramount Subsidiary has agreed to or is required to make any adjustment under Section 481(a) of the Code. Neither Paramount nor any Paramount Subsidiary has made an election under Section 341(f) of the Code. For purposes of this Section 3.12, where a determination of whether a failure by Paramount or a Paramount Subsidiary to comply with the representations herein has a Paramount Material Adverse Effect is necessary, such determination shall be made on an aggregate basis with all other failures within this Section 3.12.

SECTION 3.13. Amendment to Rights Agreement. (a) The Board of Directors of Paramount has taken all necessary action to amend the Rights Agreement, dated as of September 7, 1988, as amended, between Paramount and Manufacturers Hanover Trust Company, as Rights Agent (the "Rights Agreement") so that (i) none of the execution or delivery of this Agreement, the exchange of the shares of Paramount Common Stock for the shares of Viacom Class B Common Stock and CVRs, Viacom Merger Debentures, Warrants and cash in accordance with Article II or the making of the Offer will cause (A) the rights (the "Rights") issued pursuant to the Rights Agreement to become exercisable under the Rights Agreement, (B) Viacom or any of the Viacom Subsidiaries to be deemed an "Acquiring Person" (as defined in the Rights Agreement), or (C) the "Stock Acquisition Date" (as defined in the Rights Agreement) to occur upon any such event and (ii) the "Expiration Date" (as defined in the Rights Agreement) of the Rights shall occur immediately prior to the Effective Time. Paramount agrees to take all necessary action to amend the Rights Agreement so that the consummation of the Offer, on the terms permitted hereunder, will not cause any of the effects referred to in Section 3.13 (a)(i)(A), (B) or (C) to occur; provided, however, that Paramount shall not be required to make such amendments to the Rights Agreement if (i) Viacom has not performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the consummation of the Offer or (ii) Paramount obtains and there is in force from the Delaware Court of Chancery an order permanently, preliminarily or temporarily declaring that the making of such amendments to the Rights Agreement would be contrary to the fiduciary duties of the Board of Directors of Paramount. Notwithstanding anything else contained herein, in no event shall the Board of Directors of Paramount make an amendment of the Rights Agreement in favor of the Other Offeror or any other person without making such amendments in favor of Viacom; provided that Paramount will not be obligated to make such amendments for Viacom if Viacom has become obligated to terminate its Offer pursuant to Section 2.5 of this Agreement.

(b) The "Distribution Date" (as defined in the Rights Agreement) has not occurred.

SECTION 3.14. Opinion of Financial Advisor. Paramount has received the opinion of Lazard Freres & Co., dated February 4, 1994, to the effect that, as of such date, the consideration to be received by the stockholders of Paramount pursuant to the offer and the Merger, taken together, is fair to such stockholders from a financial point of view, a copy of which opinion will be delivered to Viacom promptly upon receipt.

SECTION 3.15. Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Paramount Common Stock is the only vote of the holders of any class or series of Paramount capital stock necessary to approve the Merger.

SECTION 3.16. Brokers. No broker, finder or investment banker (other than Lazard Freres & Co.) is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Paramount. Paramount has heretofore furnished to Viacom a complete and correct copy of all agreements between Paramount and Lazard Freres & Co. pursuant to which such firm would be entitled to any payment relating to the Transactions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF VIACOM

Viacom hereby represents and warrants to Paramount that:

SECTION 4.1. Organization and Qualification; Subsidiaries. (a) Each of Viacom and each Material Viacom Subsidiary (as defined below) is a corporation, partnership or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, have a Viacom Material Adverse Effect (as defined below). Viacom and each Material Viacom Subsidiary is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, have a Viacom Material Adverse Effect. The term "Viacom Material Adverse Effect" means any change or effect that is or is reasonably likely to be materially adverse to the business, results of operations or financial condition of Viacom and the Viacom Subsidiaries, taken as a whole; provided, however, where such term qualifies a representation or warranty contained in this Article IV during the period beginning after the date hereof and until the Effective Time, then such term shall mean any change or effect that is or is reasonably likely to be materially adverse to the business or financial condition of Viacom and the Viacom Subsidiaries, taken as a whole.

(b) Each subsidiary of Viacom (a "Viacom Subsidiary") that constitutes a Significant Subsidiary of Viacom within the meaning of Rule 1-02 of Regulation S-X of the SEC is referred to herein as a "Material Viacom Subsidiary".

SECTION 4.2. Certificate of Incorporation and By-Laws. Viacom has heretofore made available to Paramount a complete and correct copy of the Certificate of Incorporation and the By-Laws or equivalent organizational documents, each as amended to date, of Viacom and each Material Viacom Subsidiary. Such Certificates of Incorporation, By-Laws and equivalent organizational documents are in full force and effect. Neither Viacom nor any Material Viacom Subsidiary is in violation of any provision of its Certificate of Incorporation, By-Laws or equivalent organizational documents, except for such violations that would not, individually or in the aggregate, have a Viacom Material Adverse Effect.

SECTION 4.3. Capitalization. The authorized capital stock of Viacom consists of 100,000,000 shares of Viacom Class A Common Stock, (together with the Viacom Class B Common Stock, the "Viacom Common Stock"), 150,000,000 shares of Viacom Class B Common Stock and 100,000,000 shares of Preferred Stock, par value $.01 per share ("Viacom Preferred Stock"), of which 24,000,000 shares have been designated Viacom Series A Preferred Stock (the "Viacom Series A Preferred Stock") and 24,000,000 shares have been designated Viacom Series B Preferred Stock (the "Viacom Series B Preferred Stock"). As of November 30, 1993, (i) 53,449,125 shares of Viacom Class A Common Stock and 67,345,982 shares of Viacom Class B Common Stock were issued and outstanding, all of which were validly issued, fully paid and non-assessable, (ii) no shares were held in the treasury of Viacom, (iii) no shares were held by the Viacom Subsidiaries, and (iv) 224,610 shares of Viacom Class A Common Stock and 3,760,297 shares of Viacom Class B Common Stock were reserved for future issuance pursuant to employee stock options or stock incentive rights granted pursuant to Viacom's 1989 Long-Term Management Incentive Plan and the Viacom Inc. Stock Option Plan for Outside Directors. As of the date hereof, 24,000,000 shares of Viacom Series A Preferred Stock and 24,000,000 shares of Viacom Series B Preferred Stock are issued and outstanding. Except as set forth in this Section 4.3 or as contemplated by this Agreement, there are no options, warrants or other rights,

agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of Viacom or any Material Viacom Subsidiary or obligating Viacom or any Material Viacom Subsidiary to issue or sell any shares of capital stock of, or other equity interests in, Viacom or any Material Viacom Subsidiary, except for (i) options granted since November 30, 1993 in the ordinary course consistent with past practice, (ii) the reservation of 17,140,800 shares of Viacom Class B Common Stock for issuance upon conversion of shares of Viacom Series B Preferred Stock, (iii) the reservation of 8,570,400 shares of Viacom Class B Common Stock for issuance upon conversion of shares of Viacom Series A Preferred Stock, (iv) the issuance of any securities in connection with the acquisition of Blockbuster Entertainment Corporation, a Delaware corporation ("Blockbuster"), and (v) the reservation of 22,727,273 shares of Viacom Class B Common Stock for issuance upon the consummation of the transactions contemplated by the Subscription Agreement, dated as of January 7, 1994 (the "Blockbuster Subscription Agreement"), between Blockbuster and Viacom. All shares of Viacom Common Stock and other securities subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and non-assessable. Except as set forth in Section 4.3 of the Disclosure Schedule previously delivered by Viacom to Paramount (the "Viacom Disclosure Schedule"), there are no material outstanding contractual obligations of Viacom or any Viacom Subsidiary to repurchase, redeem or otherwise acquire any shares of Viacom Common Stock or any capital stock of any Material Viacom Subsidiary, or make any material investment (in the form of a loan, capital contribution or otherwise) in, any Viacom Subsidiary or any other person, other than the amended and restated subscription agreement dated as of October 21, 1993 between Viacom and Blockbuster, the subscription agreement dated as of October 4, 1993, as amended, between Viacom and NYNEX Corporation and the Blockbuster Subscription Agreement. Each outstanding share of capital stock of each Material Viacom Subsidiary is duly authorized, validly issued, fully paid and nonassessable and each such share owned by Viacom or another Viacom Subsidiary is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on Viacom's or such other Viacom Subsidiary's voting rights, charges and other encumbrances of any nature whatsoever. If and when the Warrants are exercised for Viacom Class B Common Stock in accordance with the terms of the Warrants, such shares of Viacom Class B Common Stock issued upon such exercise will be duly authorized, validly issued, fully paid and non-assessable, and the holders of outstanding shares of capital stock of Viacom are not entitled to any preemptive or other rights with respect to the Warrants or the Viacom Class B Common Stock issued upon such exercise. The Viacom Merger Debentures will be duly authorized, and when the Viacom Merger Debentures have been duly executed, authenticated, issued and delivered in the Merger pursuant to the terms of this Agreement and the Indenture pursuant to which they are issued (the "Viacom Merger Debenture Indenture") between Viacom and the trustee thereunder (the "Merger Debenture Trustee"), such Viacom Merger Debentures will then constitute valid and legal binding obligations of Viacom entitled to the benefits provided by the Viacom Merger Debenture Indenture. Prior to the Effective Time, the Viacom Merger Debenture Indenture will have been duly authorized by Viacom, duly qualified under the Trust Indenture Act of 1939 and, when duly executed and delivered by Viacom and the Merger Debenture Trustee, will constitute a valid and binding instrument of Viacom enforceable in accordance with its terms. The shares of Viacom Exchange Preferred Stock initially issuable upon the exchange of the Viacom Merger Debentures will, if issued, be duly authorized, validly issued, fully paid, non-assessable and free of pre-emptive rights. The Viacom Exchange Debentures initially issuable upon exchange of the Viacom Exchange Preferred Stock for such Viacom Exchange Debentures will be duly authorized; and when the Viacom Exchange Debentures have been duly executed, authenticated, issued and delivered in exchange for the Viacom Exchange Preferred Stock in accordance with the terms of the Viacom Exchange Debentures and the Indenture pursuant to which they are issued (the "Viacom Exchange Debenture Indenture") between Viacom and the trustee thereunder (the "Exchange Debenture Trustee"), such Viacom Exchange Debentures will then constitute valid and legal binding obligations of Viacom entitled to the benefits provided by the Viacom Exchange Debenture Indenture. By the date of issuance of the Viacom Exchange Preferred Stock, the Viacom Exchange Debenture Indenture will have been duly authorized

by Viacom, duly qualified under the Trust Indenture Act of 1939, and, when duly executed and delivered by Viacom and the Exchange Debenture Trustee, will constitute a valid and binding instrument of Viacom enforceable in accordance with its terms. Upon their issuance, the Warrants and the CVRs shall each constitute legal, valid and binding obligations of Viacom enforceable in accordance with their terms.

SECTION 4.4. Authority Relative to This Agreement. Viacom has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Viacom and the consummation by Viacom of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action and the Voting Agreement has been approved by the Viacom Board of Directors for purposes of Section 203 of Delaware Law and no other corporate proceedings on the part of Viacom are necessary to authorize this Agreement or to consummate the transactions contemplated hereby (other than, with respect to the Merger (including the issuance of, to the extent required by law, the Viacom Class B Common Stock, the Viacom Merger Debentures, the CVRs, the Warrants, the Viacom Exchange Preferred Stock and the Viacom Exchange Debentures), the approval by the holders of a majority of the then outstanding shares of Viacom Class A Common Stock of (i) this Agreement and the Merger and (ii) to the extent such matters have not been previously voted upon and approved by the holders of the Viacom Class A Common Stock, the amendment to Viacom's certificate of incorporation necessary to increase (x) the shares of authorized Class B Viacom Common Stock to a number not less than the number sufficient to consummate the issuance of shares of Viacom Common Stock contemplated under this Agreement (including such shares issuable upon the exercise of the Warrants and, if applicable, in connection with the CVRs) and (y) the size of the Board of Directors of Viacom to a number not less than 13 (collectively, the "Viacom Vote Matter"; and the amendments to Viacom's Restated Certificate of Incorporation described in clauses (ii)(x) and (y) above being, collectively, the "Viacom Certificate Amendments"), and the filing and recordation of the foregoing amendment to Viacom's Restated Certificate of Incorporation and appropriate merger documents as required by Delaware Law). This Agreement has been duly and validly executed and delivered by Viacom and, assuming the due authorization, execution and delivery by Paramount, constitutes a legal, valid and binding obligation of Viacom, enforceable against Viacom in accordance with its terms.

SECTION 4.5. No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by Viacom does not, and the performance of the transactions contemplated hereby by Viacom will not, (i) conflict with or violate the Certificate of Incorporation or By-Laws or equivalent organizational documents of Viacom or any Material Viacom Subsidiary, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Viacom or any Viacom Subsidiary or by which any property or asset of Viacom or any Viacom Subsidiary is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of Viacom or any Viacom Subsidiary pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Viacom or any Viacom Subsidiary is a party or by which Viacom or any Viacom Subsidiary or any property or asset of Viacom or any Viacom Subsidiary is bound or affected, except in the case of clauses (ii) and (iii) of this Section 4.5, for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent Viacom from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Viacom Material Adverse Effect.

(b) The execution and delivery of this Agreement by Viacom does not, and the performance of this Agreement by Viacom will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (i) for (A) applicable requirements, if any, of the

Exchange Act, Securities Act, Trust Indenture Act of 1939, state securities or Blue Sky Laws and state takeover laws, (B) the pre-merger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), (C) applicable requirements of the Communications Act, and of state and local governmental authorities, including state and local authorities granting franchises to operate cable systems, (D) applicable requirements of the Investment Canada Act of 1985 and the Competition Act (Canada), (E) filing and recordation of appropriate merger documents and the Viacom Certificate Amendments as required by Delaware Law and (F) applicable requirements, if any, of any non-United States competition, antitrust and investment laws and (ii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent Viacom from performing its obligations under this Agreement in any material respect, and would not, individually or in the aggregate, have a Viacom Material Adverse Effect.

SECTION 4.6. Compliance. Neither Viacom nor any Viacom Subsidiary is in conflict with, or in default or violation of, (i) any law, rule, regulation, order, judgment or decree applicable to Viacom or any Viacom Subsidiary or by which any property or asset of Viacom or any Viacom Subsidiary is bound or affected, or (ii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Viacom or any Viacom Subsidiary is a party or by which Viacom or any Viacom Subsidiary or any property or asset of Viacom or any Viacom Subsidiary is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Viacom Material Adverse Effect.

SECTION 4.7. SEC Filings; Financial Statements. (a) Viacom has filed all forms, reports and documents required to be filed by it with the SEC since December 31, 1990, and has heretofore made available to Paramount, in the form filed with the SEC (excluding any exhibits thereto), (i) its Annual Reports on Form 10-K for the fiscal years ended December 31, 1990, 1991 and 1992, respectively, (ii) its Quarterly Reports on Form 10-Q for the periods ended March 31, 1993, June 30, 1993 and September 30, 1993, (iii) all proxy statements relating to Viacom's meetings of stockholders (whether annual or special) held since January 1, 1991 and (iv) all other forms, reports and other registration statements (other than Quarterly Reports on Form 10-Q not referred to in clause (ii) above and preliminary materials) filed by Viacom with the SEC since December 31, 1990 (the forms, reports and other documents referred to in clauses (i), (ii), (iii), and (iv) above being referred to herein, collectively, as the "Viacom SEC Reports"). The Viacom SEC Reports and any other forms, reports and other documents filed by Viacom with the SEC after the date of this Agreement (x) were or will be prepared in accordance with the requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations thereunder and (y) did not at the time they were filed, or will not at the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No Viacom Subsidiary (other than Viacom International Inc., a Delaware corporation ("Viacom International")) is required to file any form, report or other document with the SEC.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the Viacom SEC Reports was prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented the consolidated financial position, results of operations and cash flows of Viacom and the consolidated Viacom Subsidiaries as at the respective dates thereof and for the respective periods indicated therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

(c) Except as and to the extent set forth in the Viacom SEC Reports filed with the SEC prior to the date of this Agreement, Viacom and the Viacom Subsidiaries do not have any liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) other than liabilities and obligations which would not, individually or in the aggregate, have a Viacom Material Adverse Effect.

SECTION 4.8. Absence of Certain Changes or Events. Since December 31, 1992, except as contemplated by this Agreement, any actions taken by Viacom in order to consummate the acquisition of Blockbuster, or any actions taken by Viacom in order to consummate the transactions contemplated by the Blockbuster Subscription Agreement, as set forth in Section 4.8 of the Viacom Disclosure Schedule or disclosed in any Viacom SEC Report filed since December 31, 1992 and prior to the date of this Agreement, Viacom and the Viacom Subsidiaries have conducted their businesses only in the ordinary course and in a manner consistent with past practice and, since December 31, 1992 there has not been (i) as of the date hereof, any change, occurrence or circumstance in the business, results of operations or financial condition of Viacom or any Viacom Subsidiary having, individually or in the aggregate, a Viacom Material Adverse Effect, (ii) any damage, destruction or loss (whether or not covered by insurance) with respect to any property or asset of Viacom or any Viacom Subsidiary and having, individually or in the aggregate, a Viacom Material Adverse Effect, (iii) any change by Viacom in its accounting methods, principles or practices, (iv) any declaration, setting aside or payment of any dividend or distribution in respect of any capital stock of Viacom or any Viacom Subsidiary or any redemption, purchase or other acquisition of any of their respective securities other than dividends by a Viacom Subsidiary to Viacom or (v) other than as set forth in Section 4.3 and pursuant to the plans, programs or arrangements referred to in Section 4.10, other than in the ordinary course of business consistent with past practice and other than as contemplated by the Agreement and Plan of Merger, dated as of January 7, 1994 (the "Blockbuster Merger Agreement"), between Blockbuster and Viacom, any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, or any other increase in the compensation payable or to become payable to any officers or key employees of Viacom or any Viacom Subsidiary, except for the establishment of the Viacom Inc. Stock Option Plan for Outside Directors and the grant of options to purchase an aggregate of 5,000 shares thereunder.

SECTION 4.9. Absence of Litigation. Except as disclosed in the Viacom SEC Reports filed with the SEC prior to the date of this Agreement there is no claim, action, proceeding or investigation pending or, to the best knowledge of Viacom, threatened against Viacom or any Viacom Subsidiary, or any property or asset of Viacom or any Viacom Subsidiary, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, which individually or in the aggregate, is reasonably likely to have a Viacom Material Adverse Effect. Except as disclosed in the Viacom SEC Reports filed with the SEC prior to the date of this Agreement, neither Viacom nor any Viacom Subsidiary nor any property or asset of Viacom or any Viacom Subsidiary is subject to any order, writ, judgment, injunction, decree, determination or award having or reasonably likely to have, individually or in the aggregate, a Viacom Material Adverse Effect.

SECTION 4.10. Employee Benefit Plans. With respect to all the employee benefit plans, programs and arrangements maintained for the benefit of any current or former employee, officer or director of Viacom or any Viacom Subsidiary (the "Viacom Plans"), except as set forth in Section 4.10 of the Viacom Disclosure Schedule or the Viacom SEC Reports and except as would not, individually or in the aggregate, have a Viacom Material Adverse Effect: (i) none of the Viacom Plans is a multiemployer plan within the meaning of ERISA; (ii) none of the Viacom Plans promises or provides retiree medical or life insurance benefits to any person; (iii) each Viacom Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS that it is so qualified and nothing has occurred since the date of such letter that could reasonably be expected to affect the qualified status of such Viacom Plan; (iv) each Viacom Plan has been operated in all respects in accordance with its terms and the requirements of applicable law; (v) neither Viacom nor any Viacom Subsidiary has incurred any direct or indirect liability under, arising out of or by operation of Title IV of ERISA in connection with the termination of, or withdrawal from, any Viacom Plan or other retirement plan or arrangement, and no fact or event exists that could reasonably be expected to give

rise to any such liability; and (vi) Viacom and the Viacom Subsidiaries have not incurred any liability under, and have complied in all respects with, the Worker Adjustment Retraining Notification Act, and no fact or event exists that could give rise to liability under such Act. Except as set forth in Section 4.10 of the Viacom Disclosure Schedule or the Viacom SEC Reports, the aggregate accumulated benefit obligations of each Viacom Plan subject to Title IV of ERISA (as of the date of the most recent actuarial valuation prepared for such Viacom Plan) do not exceed the fair market value of the assets of such Viacom Plan (as of the date of such valuation).

SECTION 4.11. Trademarks, Patents and Copyrights. Viacom and the Viacom Subsidiaries own or possess adequate licenses or other valid rights to use all material patents, patent rights, trademarks, trademark rights, trade names, trade name rights, copyrights, service marks, trade secrets, applications for trademarks and for service marks, know-how and other proprietary rights and information used or held for use in connection with the business of Viacom and the Viacom Subsidiaries as currently conducted or as contemplated to be conducted, and Viacom is unaware of any assertion or claim challenging the validity of any of the foregoing which, individually or in the aggregate, would have a Viacom Material Adverse Effect. The conduct of the business of Viacom and the Viacom Subsidiaries as currently conducted does not conflict in any way with any patent, patent right, license, trademark, trademark right, trade name, trade name right, service mark or copyright of any third party that, individually or in the aggregate, would have a Viacom Material Adverse Effect.

SECTION 4.12. Taxes. Viacom and the Viacom Subsidiaries have timely filed all federal, state, local and foreign tax returns and reports required to be filed by them through the date hereof and shall timely file all returns and reports required on or before the Effective Time, except for such returns and reports the failure of which to file timely would not, individually or in the aggregate, have a Viacom Material Adverse Effect. Such reports and returns are and will be true, correct and complete, except for such failures to be true, correct and complete as would not, individually or in the aggregate, have a Viacom Material Adverse Effect. Viacom and the Viacom Subsidiaries have paid and discharged all federal, state, local and foreign taxes due from them, other than such taxes that are being contested in good faith by appropriate proceedings and are adequately reserved as shown in the audited consolidated balance sheet of Viacom dated December 31, 1992 (the "Viacom 1992 Balance Sheet") and its most recent quarterly financial statements, except for such failures to so pay and discharge which would not, individually or in the aggregate, have a Viacom Material Adverse Effect. Neither the IRS nor any other taxing authority or agency, domestic or foreign, is now asserting or, to the best knowledge of Viacom, threatening to assert against Viacom or any Viacom Subsidiary any deficiency or material claim for additional taxes or interest thereon or penalties in connection therewith which, if such deficiencies or claims were finally resolved against Viacom and the Viacom Subsidiaries would, individually or in the aggregate, have a Viacom Material Adverse Effect. The accruals and reserves for taxes (including interest and penalties, if any, thereon) reflected in the Viacom 1992 Balance Sheet and the most recent quarterly financial statements are adequate in accordance with generally accepted accounting principles, except where the failure to be adequate would not have a Viacom Material Adverse Effect. Viacom and the Viacom Subsidiaries have withheld or collected and paid over to the appropriate governmental authorities or are properly holding for such payment all taxes required by law to be withheld or collected, except for such failures to have so withheld or collected and paid over or to be so holding for payment which would not, individually or in the aggregate, have a Viacom Material Adverse Effect. There are no material liens for taxes upon the assets of Viacom or the Viacom Subsidiaries, other than liens for current taxes not yet due and payable and liens for taxes that are being contested in good faith by appropriate proceedings. Neither Viacom nor any Viacom Subsidiary has agreed to or is required to make any adjustment under Section 481(a) of the Code. Neither Viacom nor any Viacom Subsidiary has made an election under Section 341(f) of the Code. For purposes of this Section 4.12, where a determination of whether a failure by Viacom or a Viacom Subsidiary to comply with the representations herein has a Viacom Material Adverse Effect is necessary, such determination shall be made on an aggregate basis with all other failures within this Section 4.12.

SECTION 4.13. Opinion of Financial Advisor. Viacom has received the opinion of Smith Barney Shearson Inc., dated February 1, 1994, to the effect that, as of such date, the financial terms of the proposed acquisition by Viacom of Paramount are fair from a financial point of view to Viacom and its stockholders. A copy of such opinion will be delivered to Paramount promptly.

SECTION 4.14. Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Viacom Class A Common Stock is the only vote of the holders of any class or series of Viacom capital stock necessary to approve the Viacom Vote Matter.

SECTION 4.15. Ownership of Paramount Common Stock. As of the date of this Agreement and based on the number of issued and outstanding shares of Paramount Common Stock as of September 3, 1993 set forth in Section 3.3, Viacom and its affiliates beneficially own, in the aggregate, less than five percent of the issued and outstanding shares of Paramount Common Stock.

SECTION 4.16. Brokers. No broker, finder or investment banker (other than Smith Barney Shearson Inc., Goldman Sachs & Co. and Bear, Stearns & Co. Inc.) is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Viacom. Viacom has heretofore furnished to Paramount a complete and correct copy of all agreements between Viacom and each of Smith Barney Shearson Inc., Goldman Sachs & Co. and Bear, Stearns & Co. Inc. pursuant to which each such firm would be entitled to any payment relating to the Transactions.

SECTION 4.17. Financing. Viacom has delivered to Paramount binding commitments or agreements to obtain the financing in contemplation of the Transactions (the "Financing") in an amount sufficient, together with the Viacom Class B Common Stock, the Viacom Merger Preferred Stock, the CVRs and Warrants, to acquire all the shares of Paramount Common Stock in the Offer and the Merger and to pay all related contemplated fees and expenses. Viacom knows of no fact or circumstance (including the obligations of Viacom under this Agreement) that is reasonably likely to result in the inability of Viacom to receive the proceeds from such Financing.

SECTION 4.18. Purchases of Securities. Since September 12, 1993, neither Viacom nor, to Viacom's knowledge, its affiliates have purchased or sold shares of Viacom Class A Common Stock or Viacom Class B Common Stock and neither Viacom nor, to Viacom's knowledge, its affiliates have any knowledge of any such trading.

SECTION 4.19. Representations in Blockbuster Merger Agreement. Viacom hereby confirms that the representations and warranties contained in Sections 3.07, 3.08 and 3.09 of the Blockbuster Merger Agreement shall be true and correct as of the date hereof and as of the date of consummation of the Offer, except as would not have a material adverse effect on the financial condition of Paramount, Viacom and Blockbuster and their subsidiaries taken as a whole.

ARTICLE V

CONDUCT OF BUSINESSES PENDING THE MERGER

SECTION 5.1. Conduct of Respective Businesses by Paramount and Viacom Pending the Merger Each of Paramount and Viacom covenants and agrees that, between the date of this Agreement and the Effective Time, unless the other party shall have consented in writing (such consent not to be unreasonably withheld) and, except, in the case of Viacom, for actions taken by Viacom in order to consummate (x) the acquisition of Blockbuster and (y) the transactions contemplated by the Blockbuster Subscription Agreement, the businesses of each of Paramount and Viacom and their respective subsidiaries shall, in all material respects, be conducted in, and each of Paramount and Viacom and their respective subsidiaries shall not take any material action except in, the ordinary course of business,

consistent with past practice; and each of Paramount and Viacom shall use its reasonable best efforts to preserve substantially intact its business organization, to keep available the services of its and its subsidiaries' current officers, employees and consultants and to preserve its and its subsidiaries' relationships with customers, suppliers and other persons with which it or any of its subsidiaries has significant business relations. By way of amplification and not limitation, except (i) as contemplated by this Agreement (including, without limitation, the making of the Offer and Section 6.16), (ii) for any actions taken by Viacom in order to consummate the acquisition of Blockbuster, (iii) for any actions taken by Viacom in order to consummate the transactions contemplated by the Blockbuster Subscription Agreement or (iv) as set forth on Section 5.1 of the Paramount Disclosure Schedule or Section 5.1 of the Viacom Disclosure Schedule, neither Viacom nor Paramount nor any of their respective subsidiaries shall, between the date of this Agreement and the Effective Time, directly or indirectly do, or propose or agree to do, any of the following without the prior written consent of the other (provided that the following restrictions shall not apply to any subsidiaries which Paramount or Viacom, as the case may be, do not control):

(a) amend or otherwise change the Certificate of Incorporation or By-Laws of Viacom or Paramount (except, with respect to Viacom, the Viacom Certificate Amendments and the Certificate of Designations to be filed with the Secretary of State of the State of Delaware in respect of the Viacom Merger Preferred Stock);

(b) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of, (i) any shares of capital stock of any class of it or any of its subsidiaries, or any options (other than the grant of options in the ordinary course of business consistent with past practice to employees who are not executive officers of Paramount or Viacom), warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of it or any of its subsidiaries (other than the issuance of shares of capital stock in connection with any dividend reinvestment plan or by any Paramount Plan with an employee stock fund or employee stock ownership plan feature, consistent with applicable securities laws or the exercise of options, warrants or other similar rights, or conversion of convertible preferred stock outstanding as of the date of this Agreement and in accordance with the terms of such options, warrants or rights in effect on the date of this Agreement or otherwise permitted to be granted pursuant to this Agreement) or (ii) any assets of it or any of its subsidiaries, except for sales in the ordinary course of business or which, individually do not exceed $10,000,000 or which, in the aggregate, do not exceed $25,000,000;

(c) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, except (i) in the case of Viacom, with respect to the Series A Preferred Stock and the Series B Preferred Stock, and in the case of Paramount, regular quarterly dividends in amounts not in excess of $.20 per quarter and payable consistent with past practice; provided that, prior to the declaration of any such dividend, Paramount shall consult with Viacom as to the timing and advisability of declaring any such dividend and (ii) dividends declared and paid by a subsidiary of either Paramount or Viacom, each such dividend to be declared and paid in the ordinary course of business consistent with past practice;

(d) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock other than acquisitions by a dividend reinvestment plan or by any Paramount Plan with an employee stock fund or employee stock ownership plan feature, consistent with applicable securities laws;

(e) (i) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof or any assets, except for such acquisitions which, individually do not exceed $10,000,000 or which, in

the aggregate, do not exceed $25,000,000; (ii) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except (A) for any such indebtedness incurred by Viacom in connection with the Merger or the Offer, (B) the refinancing of existing indebtedness, (C) borrowings under commercial paper programs in the ordinary course of business, (D) borrowings under existing bank lines of credit in the ordinary course of business, (E) which, in the aggregate, do not exceed $25,000,000; or (iii) enter into or amend any contract, agreement, commitment or arrangement with respect to any matter set forth in this Section 5.1(e);

(f) increase the compensation payable or to become payable to its executive officers or employees, except for increases in the ordinary course of business in accordance with past practices, or grant any severance or termination pay to, or enter into any employment or severance agreement with any director or executive officer of it or any of its subsidiaries, or establish, adopt, enter into or amend in any material respect or take action to accelerate any rights or benefits under any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, executive officer or employee; or

(g) take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures.

ARTICLE VI

ADDITIONAL COVENANTS

SECTION 6.1. Access to Information; Confidentiality. (a) From the date hereof to the Effective Time, each of Paramount and Viacom shall (and shall cause its subsidiaries and officers, directors, employees, auditors and agents to) afford the officers, employees and agents of the other party (the "Respective Representatives") reasonable access at all reasonable times to its officers, employees, agents, properties, offices, plants and other facilities, books and records, and shall furnish such Respective Representatives with all financial, operating and other data and information as may be reasonably requested.

(b) All information obtained by Paramount or Viacom pursuant to this Section 6.1 shall be kept confidential in accordance with the confidentiality agreements, dated July 1, 1993 (the "Confidentiality Agreements"), between Paramount and Viacom.

(c) No investigation pursuant to this Section 6.1 shall affect any representation or warranty in this Agreement of any party hereto or any condition to the obligations of the parties hereto.

SECTION 6.2. Intentionally omitted.

SECTION 6.3. Directors' and Officers' Indemnification and Insurance. (a) The Certificate of Incorporation and By-Laws of the Surviving Corporation shall contain the provisions with respect to indemnification set forth in the Certificate of Incorporation and By-Laws of Viacom on the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of individuals who at any time prior to the Effective Time were directors or officers of Paramount in respect of actions or omissions occurring at or prior to the Effective Time (including, without limitation, the transactions contemplated by this Agreement), unless such modification is required by law.

(b) From and after the Effective Time, the Surviving Corporation shall indemnify, defend and hold harmless the present and former officers and directors of Paramount (collectively, the "Indemnified Parties") against all losses, expenses, claims, damages, liabilities or amounts that are paid in settlement of, with the approval of the Surviving Corporation (which approval shall not unreasonably be withheld), or otherwise in connection with any claim, action, suit, proceeding or investigation (a "Claim"), based in whole or in part on the fact that such person is or was a director or officer of Paramount and arising out of actions or omissions occurring at or prior to the Effective Time (including, without limitation, the transactions contemplated by this Agreement), in each case to the full extent permitted under Delaware Law (and shall pay expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party to the fullest extent permitted under Delaware Law, upon receipt from the Indemnified Party to whom expenses are advanced of the undertaking to repay such advances contemplated by Section 145(e) of Delaware Law).

(c) Without limiting the foregoing, in the event any Claim is brought against any Indemnified Party (whether arising before or after the Effective Time) after the Effective Time (i) the Indemnified Parties may retain Paramount's regularly engaged independent legal counsel or other independent legal counsel satisfactory to them, provided that such other counsel shall be reasonably acceptable to the Surviving Corporation, (ii) the Surviving Corporation shall pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received and (iii) the Surviving Corporation will use its reasonable best efforts to assist in the vigorous defense of any such matter, provided that the Surviving Corporation shall not be liable for any settlement of any Claim effected without its written consent, which consent shall not be unreasonably withheld. Any Indemnified Party wishing to claim indemnification under this Section 6.3 upon learning of any such Claim, shall notify the Surviving Corporation (although the failure so to notify the Surviving Corporation shall not relieve the Surviving Corporation from any liability which the Surviving Corporation may have under this Section 6.3, except to the extent such failure prejudices the Surviving Corporation), and shall deliver to the Surviving Corporation the undertaking contemplated by Section 145(e) of Delaware Law. The Indemnified Parties as a group may retain no more than one law firm (in addition to local counsel) to represent them with respect to each such matter unless there is, under applicable standards of professional conduct (as determined by counsel to the Indemnified Parties), a conflict on any significant issue between the positions of any two or more Indemnified Parties, in which event such additional counsel as may be required may be retained by the Indemnified Parties.

(d) For a period of three years after the Effective Time, the Surviving Corporation shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained by Paramount (provided that the Surviving Corporation may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are no less advantageous) with respect to claims arising from facts or events which occurred before the Effective Time; provided, however, that in no event shall the Surviving Corporation be required to expend pursuant to this Section 6.3(d) more than an amount equal to 200% of current annual premiums paid by Paramount for such insurance (which premiums Paramount represents and warrants to be $850,000 in the aggregate).

(e) This Section 6.3 is intended to be for the benefit of, and shall be enforceable by, the Indemnified Parties, their heirs and personal representatives and shall be binding on the Surviving Corporation and its respective successors and assigns.

SECTION 6.4. Notification of Certain Matters. Paramount shall give prompt notice to Viacom, and Viacom shall give prompt notice to Paramount, of (i) the occurrence, or nonoccurrence, of any event the occurrence, or nonoccurrence, of which would be likely to cause (x) any representation or warranty contained in this Agreement to be untrue or inaccurate or (y) any covenant, condition or agreement contained in this Agreement not to be complied with or satisfied and (ii) any failure of Paramount or Viacom, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.4 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

SECTION 6.5. Tax Treatment. Each of Paramount and Viacom will use its reasonable best efforts to cause the Forward Merger to qualify as a reorganization under the provisions of Section 368(a) of the Code and to deliver, in connection with the legal opinion referred to in Section 1.1, letters of representation reasonable under the circumstances as to their present intentions and present knowledge.

SECTION 6.6. Registration Statement; Joint Proxy Statement; Offer Documents and Schedule 14D-9. (a) As promptly as practicable after the execution of this Agreement, Viacom and Paramount shall prepare and file with the SEC an amendment to the joint proxy statement previously filed with the SEC relating to the meetings of Paramount's stockholders and holders of Viacom Class A Common Stock to be held in connection with the Merger (together with any amendments thereof or supplements thereto, the "Proxy Statement") and, as promptly as practicable following consummation of the Offer (or expiration or termination of the Offer without any purchase of shares thereunder), Viacom shall prepare and file with the SEC a registration statement on Form S-4 (together with any amendments thereto, the "Registration Statement") in which the Proxy Statement shall be included as a prospectus, in connection with the registration under the Securities Act of the shares of Viacom Class B Common Stock, the CVRs, the Viacom Merger Debentures and Warrants to be issued to the stockholders of Paramount pursuant to the Merger, the Viacom Exchange Preferred Stock into which such Viacom Merger Debentures are exchangeable, the Viacom Class B Common Stock issuable upon the exercise of the Warrants and the Viacom Exchange Debentures for which such Viacom Exchange Preferred Stock is exchangeable. Each of Paramount and Viacom shall use all reasonable efforts to have or cause the Registration Statement to become effective as promptly as practicable, and shall take all or any action required under any applicable federal or state securities laws in connection with the issuance of shares of Viacom Class B Common Stock, the CVRs, the Viacom Merger Debentures and Warrants pursuant to the Merger. Paramount shall furnish all information concerning Paramount as Viacom may reasonably request in connection with such actions and the preparation of the Registration Statement and Proxy Statement. As promptly as practicable after the Registration Statement shall have become effective, each of Viacom and Paramount shall mail the Proxy Statement to its respective stockholders; provided that no such mailing shall be required while the Offer remains outstanding. The Proxy Statement shall include the recommendation of the Board of Directors of each of Viacom and Paramount in favor of the Merger, unless otherwise necessary due to the applicable fiduciary duties of the respective directors of Viacom and Paramount, as determined by such directors in good faith after consultation with and based upon the advice of independent legal counsel (who may be such party's regularly engaged independent legal counsel).

(b) The information supplied by Viacom for inclusion in the Registration Statement and the Proxy Statement shall not, at (i) the time the Registration Statement is declared effective, (ii) the time the Proxy Statement (or any amendment thereof or supplement thereto) is first mailed to the stockholders of Viacom and Paramount, (iii) the time of each of the Stockholders' Meetings (as defined in Section 6.7), and (iv) the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. If at any time prior to the Effective Time any event or circumstance relating to Viacom or any of the Viacom Subsidiaries, or their respective officers or directors, should be discovered by Viacom which should be set forth in an amendment or a supplement to the Registration Statement or Proxy Statement, Viacom shall promptly inform Paramount.

(c) The information supplied by Paramount for inclusion in the Registration Statement and the Proxy Statement shall not, at (i) the time the Registration Statement is declared effective, (ii) the time the Proxy Statement (or any amendment thereof or supplement thereto) is first mailed to the stockholders of Paramount and Viacom, (iii) the time of each of the Stockholders' Meetings, and (iv) the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. If at any time prior to the Effective Time any event or circumstance relating to Paramount or any of the Paramount Subsidiaries, or their respective officers or directors, should be discovered by Paramount

which should be set forth in an amendment or a supplement to the Registration Statement or Proxy Statement, Paramount shall promptly inform Viacom.

(d) Viacom represents and warrants to Paramount that the Offer Documents will not, at the time the Offer Documents are filed with the SEC or are first published, sent or given to stockholders of Paramount, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. The Offer Documents shall comply in all material respects as to form with the requirements of the Exchange Act and the rules and regulations thereunder.

(e) Paramount represents and warrants to Viacom that neither the Schedule 14D-9 nor any information supplied by Paramount for inclusion in the Offer Documents shall, at the respective times the Schedule 14D-9, the Offer Documents or any amendments or supplements thereto are filed with the SEC or are first published, sent or given to stockholders of Paramount, as the case may be, shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. The Schedule 14D-9 shall comply in all material respects as to form with the requirements of the Exchange Act and the rules and regulations thereunder.

SECTION 6.7. Stockholders' Meetings. Paramount shall call and hold a meeting of its stockholders and Viacom shall call and hold a meeting of the holders of the Viacom Class A Common Stock (collectively, the "Stockholders' Meetings") as promptly as practicable for the purpose of voting upon the approval, in the case of Paramount, of the Merger and, in the case of Viacom, of the Viacom Vote Matter (to the extent such matters have not been previously voted upon and approved by the holders of the Viacom Class A Common Stock), and Viacom and Paramount shall use their reasonable best efforts to hold the Stockholders' Meetings on the same day and as soon as practicable after the date on which the Registration Statement becomes effective; provided that neither Paramount nor Viacom shall be required to call or hold a stockholders meeting while the Offer remains outstanding. Paramount shall use its reasonable best efforts to solicit from its stockholders proxies in favor of the approval of the Merger, and Viacom shall use its reasonable best efforts to solicit from its stockholders proxies in favor of the Viacom Vote Matter and each of Paramount and Viacom shall take all other action necessary or advisable to secure the vote or consent of stockholders required by Delaware Law to obtain such approvals, unless otherwise necessary under the applicable fiduciary duties of the respective directors of Paramount and Viacom, as determined by such directors in good faith after consultation with and based upon the advice of independent legal counsel (who may be such party's regularly engaged independent legal counsel).

SECTION 6.8. Letters of Accountants. (a) Paramount shall use its reasonable best efforts to cause to be delivered to Viacom "comfort" letters of Ernst & Young, Paramount's independent public accountants, dated and delivered the date on which the Registration Statement shall become effective and as of the Effective Time, and addressed to Viacom, in form and substance reasonably satisfactory to Viacom and reasonably customary in scope and substance for letters delivered by independent public accountants in connection with transactions such as those contemplated by this Agreement.

(b) Viacom shall use its reasonable best efforts to cause to be delivered to Paramount "comfort" letters of Price Waterhouse, Viacom's independent public accountants, dated the date on which the Registration Statement shall become effective and as of the Effective Time, and addressed to Paramount, in form and substance reasonably satisfactory to Paramount and reasonably customary in scope and substance for letters delivered by independent public accountants in connection with transactions such as those contemplated by this Agreement.

SECTION 6.9. Employee Benefits. The "Continuing Directors" (as such term is defined in certain Paramount Plans, including, without limitation, Paramount's Corporate Annual Performance Plan, Corporate Long-Term Performance Plan, Supplemental Executive Retirement Plan, Non-Qualified Retirement Plan, Retirement Plan for Non-Employee Directors, Deferred Compensation Plan for

Directors and employment agreements with Messrs. Doppelt, Greenberg, Hertlein, Levinson, Meyers and Sherman) prior to the Effective Time shall approve the transactions contemplated by this Agreement, and prior to the Effective Time Paramount and its officers and directors shall take such other actions, or shall forbear from taking any action, as may be necessary to insure that such transactions shall not constitute a "Change in Control" (or other similar event accelerating or triggering changes to benefits or the terms of any Paramount Plan (a "Paramount Triggering Event")) for purposes of any Paramount Plan under which a Change in Control (or other Paramount Triggering Event) may be avoided by action or inaction, as the case may be, by Paramount or any of its officers or directors. Paramount shall not terminate either Paramount's Corporate Annual Performance Plan or Paramount's Long-Term Performance Plan prior to the Effective Time, and shall (a) delay the establishment and announcement of targets for awards under Paramount's Corporate Annual Performance Plan with respect to Paramount's 1994 fiscal year until after the Effective Time, and (b) delay the implementation of a new performance cycle under Paramount's Corporate Long-Term Performance Plan, in each case, until Paramount and Viacom shall review the terms of such Plans after the Effective Time and make such changes as they deem appropriate taking into consideration the effects of the Merger. Viacom shall take or forbear from taking such action as may be necessary to insure that the transactions contemplated by this Agreement shall not constitute a change in ownership or control (or other similar event accelerating or triggering changes to benefits or the terms of any Viacom Plan (a "Viacom Triggering Event")) for purposes of any Viacom Plan under which any such change in ownership or control (or other Viacom Triggering Event) may be avoided by action or inaction, as the case may be, by Viacom or any of its officers or directors.

SECTION 6.10. Further Action; Reasonable Best Efforts. (a) Upon the terms and subject to the conditions hereof, each of the parties hereto shall (i) make promptly any filings with or applications to the FCC with respect to the Transactions and (ii) use its reasonable best efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the Transactions, including, without limitation, using its reasonable best efforts to obtain all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Entities and parties to contracts with Viacom and Paramount and their respective subsidiaries as are necessary for the consummation of the Transactions. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement shall use their reasonable best efforts to take all such action.

(b) Each party shall use its best efforts to not take any action, or enter into any transaction, which would cause any of its representations or warranties contained in this Agreement to be untrue or result in a breach of any covenant made by it in this Agreement.

SECTION 6.11. Debt Instruments. Prior to or at the Effective Time, Paramount and each Paramount Subsidiary shall use its reasonable best efforts to prevent the occurrence, as a result of the Merger, the Offer and the other transactions contemplated by this Agreement, of a change in control or any event which constitutes a default (or an event which with notice or lapse of time or both would become a default) under any debt instrument of Paramount or any Paramount Subsidiary, including, without limitation, debt securities registered under the Securities Act.

SECTION 6.12. Public Announcements. Viacom and Paramount shall consult with each other before issuing any press release or otherwise making any public statements with respect to this Agreement or any Transaction and shall not issue any such press release or make any such public statement without the prior consent of the other party, which shall not be unreasonably withheld; provided, however, that a party may, without the prior consent of the other party, issue such press release or make such public statement as may be required by law or any listing agreement with a national securities exchange to which Viacom or Paramount is a party if it has used all reasonable efforts to consult with the other party and to obtain such party's consent but has been unable to do so in a timely manner.

SECTION 6.13. Listing of Viacom Securities. Viacom shall use its reasonable best efforts to cause the shares of Viacom Class B Common Stock and the Warrants, Viacom Merger Debentures and CVRs to be issued in the Merger to be approved for listing on the AMEX prior to the Effective Time and the Viacom Exchange Preferred Stock and the Viacom Exchange Debentures to be approved for listing on the AMEX prior to the issuance thereof.

SECTION 6.14. Affiliates of Paramount. Paramount represents and warrants to Viacom that Paramount will promptly deliver to Viacom a letter identifying all persons who may be deemed affiliates of Paramount under Rule 145 of the Securities Act, including, without limitation, all directors and executive officers of Paramount, and Paramount represents and warrants to Viacom that Paramount has advised the persons identified in such letter of the resale restrictions imposed by applicable securities laws. Paramount shall use its reasonable best efforts to obtain from each person identified in such letter a written agreement, substantially in the form of Exhibit 6.14. Paramount shall use its reasonable best efforts to obtain as soon as practicable from any person who may be deemed to have become an affiliate of Paramount after Paramount's delivery of the letter referred to above and prior to the Effective Time, a written agreement substantially in the form of Exhibit 6.14.

SECTION 6.15. Conveyance Taxes. Viacom and Paramount shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications, or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees, and any similar taxes which become payable in connection with the transactions contemplated hereby that are required or permitted to be filed on or before the Effective Time.

SECTION 6.16. Rights Agreement. Except as contemplated by this Agreement, the Board of Directors of Paramount shall not amend or modify the Rights Agreement or redeem the Rights prior to the Effective Time except pursuant to the Other Exemption Agreement.

SECTION 6.17. Assumption of Debt and Leases. With respect to debt issued by Paramount under indentures qualified under the Trust Indenture Act of 1939 ("Paramount Indentures"), Viacom shall execute and deliver to the trustees under the respective Paramount Indentures, Supplemental Indentures, in form satisfactory to the respective trustees, expressly assuming the obligations of Paramount with respect to the due and punctual payment of the principal of (and premium, if any) and interest, if any, on all debt securities issued by Paramount under the respective Indentures and the due and punctual performance of all the terms, covenants and conditions of the respective Paramount Indentures to be kept or performed by Paramount and shall deliver such Supplemental Indentures to the respective trustees under the Paramount Indenture. Viacom shall similarly deliver instruments of assumption to the holders of any debt obligations of, and the lessors of any real property to, Paramount, which debt obligations or leases expressly require such assumption in order for the Merger to comply with the debt instrument or lease.

SECTION 6.18. Gains Tax. Except as provided in Section 1.7(b), Viacom shall pay any New York State Tax on Gains Derived from Certain Real Property Transfers (the "Gains Tax"), New York State Real Estate Transfer Tax and New York City Real Property Transfer Tax (the "Transfer Taxes") and any similar taxes in any other jurisdiction (and any penalties and interest with respect to such taxes), which become payable in connection with the Offer and the Merger, on behalf of the stockholders of Paramount. Viacom and Paramount shall cooperate in the preparation, execution and filing of any required returns with respect to such taxes (including returns on behalf of the stockholders of Paramount) and in the determination of the portion of the consideration allocable to the real property of Paramount and the Paramount Subsidiaries in New York State and City (or in any other jurisdiction, if applicable). The terms of the Offer to Purchase and of the Proxy Statement shall provide that the stockholders of Paramount shall be deemed to have agreed to be bound by the allocation established

pursuant to this Section 6.18 in the preparation of any return with respect to the Gains Tax and the Transfer Taxes and any similar taxes, if applicable.

SECTION 6.19. Reverse Merger. In the event that a decision is made to structure the Merger as a Reverse Merger pursuant to Section 1.1, Viacom agrees to form Merger Subsidiary as promptly as practicable following such decision and to cause a merger agreement conforming to Section 251 of the Delaware Law and effecting the terms hereof to be adopted by Merger Subsidiary. Paramount agrees in such case to enter into such merger agreement.

SECTION 6.20. Post-Offer Agreements. In the event that the Offer is consummated and subject to any applicable requirements of the FCC: (a) the affirmative vote of a majority of the directors of Paramount who are directors on the date hereof and continue as directors on the date of the actions described below will be required to amend, modify or waive any provisions of this Agreement, or to approve any other action by Paramount with respect to the transactions contemplated hereby which adversely affect the interests of the stockholders of Paramount; (b) Viacom shall not directly or indirectly cause Paramount to breach its obligations hereunder; and (c) at the Paramount Stockholders' Meeting, Viacom shall cause all shares of Paramount Common Stock then owned by it or its subsidiaries to be voted in favor of the approval and adoption of this Agreement and the transactions contemplated hereby.

SECTION 6.21. Transactions With Significant Stockholder After the Effective Time. From and after the Effective Time and until the tenth anniversary of the Effective Time, Viacom shall not enter into any agreement with any stockholder (the "Significant Stockholder") who beneficially owns more than 35% of the then outstanding securities entitled to vote at a meeting of the stockholders of Viacom that would constitute a Rule 13e-3 (as such rule is in effect today) transaction under the Exchange Act with respect to any class of common stock of Viacom (any such transaction being a "Going Private Transaction") unless Viacom provides in any agreement pursuant to which such Going Private Transaction shall be effected that, as a condition to the consummation of such Going Private Transaction, (a) the holders of a majority of the shares of each class of common stock subject to such Going Private Transaction and not beneficially owned by the Significant Stockholder that are voted and present (whether in person or by proxy) at the meeting of stockholders called to vote on such Going Private Transaction shall have voted in favor thereof and (b) a special committee (the "Special Committee") of the Board of Directors of Viacom comprised solely of the independent directors of Viacom shall have (i) approved the terms and conditions of the Going Private Transaction and shall have recommended that the stockholders vote in favor thereof and (ii) received from its financial advisor a written opinion addressed to the Special Committee, for inclusion in the proxy statement to be delivered to the stockholders, and dated the date thereof, substantially to the effect that the consideration to be received by the stockholders (other than the Significant Stockholder) in the Going Private Transaction is fair to them from a financial point of view. Notwithstanding anything to the contrary in this Section 6.21, the restrictions contained in this Section 6.21 shall not apply to any Significant Stockholder if there exists another stockholder who beneficially owns a greater percentage of outstanding securities entitled to vote at the meeting than the Significant Stockholder.

SECTION 6.22. Blockbuster Merger Agreement and Subscription Agreement. Viacom hereby agrees that, from and after the date of this Agreement, the terms of (i) the Blockbuster Merger Agreement and (ii) the Blockbuster Subscription Agreement shall not, without the consent of Paramount, be amended or waived in any manner that would have a material adverse effect on the value of the aggregate consideration to be received by the Paramount stockholders pursuant to the terms of the Offer and the Merger taken together.

ARTICLE VII

CLOSING CONDITIONS

SECTION 7.1. Conditions to Obligations of Each Party to Effect the Merger. The respective obligations of each party to effect the Merger and the other transactions contemplated herein shall be subject to the satisfaction at or prior to the Effective Time of the following conditions, any or all of which may be waived, in whole or in part, to the extent permitted by applicable law:

(a) Effectiveness of the Registration Statement. The Registration Statement shall have been declared effective by the SEC under the Securities Act. No stop order suspending the effectiveness of the Registration Statement shall have been issued by the SEC and no proceedings for that purpose shall have been initiated or, to the knowledge of Viacom or Paramount, threatened by the SEC.

(b) Stockholder Approval. This Agreement and the Merger shall have been approved and adopted by the requisite vote of the stockholders of Paramount and the Viacom Vote Matter (to the extent not previously voted upon and approved by the holders of Viacom Class A Common Stock) shall have been approved and adopted by the requisite vote of the stockholders of Viacom.

(c) No Order. No Governmental Entity or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Merger or any transaction contemplated by this Agreement; provided, however, that the parties shall use their reasonable best efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted.

(d) AMEX Listing. The shares of Viacom Class B Common Stock and the Warrants, Viacom Merger Debentures and CVRs issuable to stockholders of Paramount in accordance with Article II shall have been authorized for listing on the AMEX upon official notice of issuance.

SECTION 7.2. Additional Conditions to Obligations of Viacom. The obligations of Viacom to effect the Merger and the transactions contemplated herein are also subject to the following conditions:

(a) Representations and Warranties. Each of the representations and warranties of Paramount contained in this Agreement (including, without limitation, Section 6.06), without giving effect to any notification to Viacom delivered pursuant to Section 6.4, shall be true and correct as of the Effective Time as though made on and as of the Effective Time, except (i) for changes specifically permitted by this Agreement and (ii) that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date, except in any case for such failures to be true and correct which would not, individually or in the aggregate, have a Paramount Material Adverse Effect. Viacom shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of Paramount to such effect.

(b) Agreement and Covenants. Paramount shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time. Viacom shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of Paramount to that effect.

(c) Material Adverse Change. Since the date of this Agreement, there shall have been no change, occurrence or circumstance in the business, results of operations or financial condition of Paramount or any Paramount Subsidiary having or reasonably likely to have, individually or in the aggregate, a material adverse effect on the business, results of operations or financial condition of

Paramount and the Paramount Subsidiaries, taken as a whole. Viacom shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of Paramount to such effect.

Notwithstanding the foregoing, the obligations of Viacom to effect the Merger and the other transactions contemplated herein following prior consummation of the Offer shall not be subject to the conditions set forth in Sections 7.2(a), (b) and (c).

SECTION 7.3. Additional Conditions to Obligations of Paramount. The obligation of Paramount to effect the Merger and the other transactions contemplated in this Agreement are also subject to the following conditions:

(a) Representations and Warranties. Each of the representations and warranties of Viacom contained in this Agreement (including, without limitation, Section 6.6), without giving effect to any notification made by Viacom to Paramount pursuant to Section 6.4, shall be true and correct as of the Effective Time, as though made on and as of the Effective Time, except (i) for changes specifically permitted by this Agreement and (ii) that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date, except in any case for such failures to be true and correct which would not, individually or in the aggregate, have a Viacom Material Adverse Effect. Paramount shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of Viacom to such effect.

(b) Agreements and Covenants. Viacom shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time. Paramount shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of Viacom to that effect.

(c) No Material Adverse Change. Since the date of this Agreement, there shall have been no change, occurrence or circumstance in the business, results of operations or financial condition of Viacom or any Viacom Subsidiary having or reasonably likely to have, individually or in the aggregate, a material adverse effect on the business, results of operations or financial condition of Viacom and the Viacom Subsidiaries, taken as a whole. Paramount shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of Viacom to such effect.

(d) Amendments to Viacom's Certificate of Incorporation. Viacom shall have filed with the Secretary of State of the State of Delaware a certificate of amendment to Viacom's certificate of incorporation pursuant to which the Viacom Certificate Amendments shall have become effective.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.1. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of this Agreement and the Merger by the stockholders of Paramount or the approval by the stockholders of Viacom of the issuance of the shares of Viacom Common Stock in accordance with Article II:

(a) by mutual consent of Paramount and Viacom;

(b) by Viacom, prior to consummation of the Offer, upon a breach of any representation, warranty, covenant or agreement on the part of Paramount set forth in this Agreement, or if any representation or warranty of Paramount shall have become untrue, in either case such that the conditions set forth in Section 7.2(a) or Section 7.2(b), as the case may be, would be incapable of being satisfied by July 31, 1994 (or as otherwise extended); provided, that in any case, a wilful breach shall be deemed to cause such conditions to be incapable of being satisfied for purposes of this Section 8.1(b);

(c) by Paramount, upon a breach of any representation, warranty, covenant or agreement on the part of Viacom set forth in this Agreement, or if any representation or warranty of Viacom shall have become untrue, in either case such that the conditions set forth in Section 7.3(a) or Section 7.3(b), as the case may be, would be incapable of being satisfied by July 31, 1994 (or as otherwise extended); provided, that in any case, a wilful breach shall be deemed to cause such conditions to be incapable of being satisfied for purposes of this Section 8.1(c);

(d) by either Viacom or Paramount, if any permanent injunction or action by any Governmental Entity preventing the consummation of the Merger shall have become final and nonappealable;

(e) by either Viacom or Paramount, if the Merger shall not have been consummated before July 31, 1994; provided, however, that this Agreement may be extended by written notice of either Viacom or Paramount to a date not later than September 30, 1994, if the Merger shall not have been consummated as a direct result of Viacom or Paramount having failed by July 31, 1994, to receive all required regulatory approvals or consents with respect to the Merger;

(f) by either Viacom or Paramount, if this Agreement and the Merger shall fail to receive the requisite vote for approval and adoption by the stockholders of Paramount or Viacom at the Stockholders' Meetings;

(g) by Viacom, if (i) the Board of Directors of Paramount shall withdraw, modify or change its recommendation of this Agreement, the Merger or the Offer in a manner adverse to Viacom or shall have resolved to do any of the foregoing; provided, that a statement by the Board of Directors of Paramount that it is neutral or unable to take a position with respect to the Offer after the commencement or amendment of a tender offer by a third party shall not be deemed to constitute a withdrawal, modification or change of its recommendation of this Agreement if the Solicitation/Recommendation Statement on Schedule 14D-9 relating to such third party tender offer recommends rejection of such tender offer and the Board of Directors of Paramount reconfirms its recommendation of the Offer on the date of the filing thereof; (ii) the Board of Directors of Paramount shall have recommended to the stockholders of Paramount a Competing Transaction (as defined below); (iii) Viacom has not consummated the Offer and a tender offer or exchange offer for 30% or more of the outstanding shares of capital stock of Paramount is commenced, and the Board of Directors of Paramount recommends that the stockholders of Paramount tender their shares in such tender or exchange offer; or (iv) Viacom has not consummated the Offer and any person shall have acquired beneficial ownership or the right to acquire beneficial ownership of or any "group" (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) shall have been formed which beneficially owns, or has the right to acquire "beneficial ownership" (as defined in the Rights Plan) of, more than 30% of the then outstanding shares of capital stock of Paramount;

(h) by Paramount, if the Board of Directors of Paramount (x) fails to make or withdraws or modifies its recommendation referred to in Section 2.2(a) or Section 6.6(a) if there exists at such time a tender offer or exchange offer or a proposal by a third party to acquire Paramount pursuant to a merger, consolidation, share exchange, business combination, tender or exchange offer or other similar transaction or (y) recommends to Paramount's stockholders approval or acceptance of any of the foregoing in each case only if the Board of Directors of Paramount, after consultation with and based upon the advice of independent legal counsel (who may be such party's regularly engaged independent legal counsel), determines in good faith that such action is necessary for the Board of Directors of Paramount to comply with its fiduciary duties to stockholders under applicable law; and

(i) by Paramount, if due to the occurrence or circumstance that would result in a failure to satisfy any of the conditions set forth in Annex A or otherwise, (A) the Offer shall have expired without the purchase of shares of Paramount Common Stock thereunder or Viacom shall be

obligated to terminate the Offer pursuant to Section 2.5 or (B) Viacom shall have failed to accept for payment shares of Paramount Common Stock pursuant to the Offer prior to 9:00 a.m. on the first business day following the Final Expiration Date, unless such failure to accept for payment shares of Paramount Common Stock shall have been caused by or resulted from the failure of Paramount to perform in any material respect its material covenants and agreements contained in this Agreement or resulted from the termination of the Offer pursuant to Section 2.1(c).

The right of any party hereto to terminate this Agreement pursuant to this Section 8.1 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any party hereto, any person controlling any such party or any of their respective officers or directors, whether prior to or after the execution of this Agreement. For purposes of this Agreement, "Competing Transaction" shall mean any of the following involving Paramount or any Paramount Subsidiaries: (i) any merger, consolidation, share exchange, business combination, or other similar transaction; (ii) any disposition of 30% or more of the assets of Paramount and the Paramount Subsidiaries, taken as a whole in the single transaction or series of transactions; (iii) any tender offer or exchange offer for 30% or more of the outstanding shares of capital stock of Paramount or the filing of a registration statement under the Securities Act in connection therewith; (iv) any person having acquired beneficial ownership or the right to acquire beneficial ownership of, or any "group" (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) having been formed which beneficially owns or has the right to acquire beneficial ownership of, 30% or more of the then outstanding shares of capital stock of Paramount; or (v) any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

SECTION 8.2. Effect of Termination. Except as provided in Section 9.1, in the event of the termination of this Agreement pursuant to Section 8.1, this Agreement shall forthwith become void, there shall be no liability on the part of Paramount or Viacom or any of their respective officers or directors to the other and all rights and obligations of any party hereto shall cease; provided, however, that (i) nothing herein shall relieve any party from liability for the wilful breach of any of its representations, warranties, covenants or agreements set forth in this Agreement and (ii) if Viacom or Paramount shall terminate this Agreement in accordance with the provisions of Section 8.1, and if Viacom shall continue the Offer, the exemption agreement between the parties dated as of December 22, 1993 shall again become effective.

SECTION 8.3. Amendment. This Agreement may be amended by the parties hereto by action taken by or on behalf of their respective Boards of Directors at any time prior to the Effective Time; provided, further, that, after approval of the Merger by the stockholders of Paramount or Viacom, no amendment, which under applicable law may not be made without the approval of the stockholders of Paramount or Viacom, may be made without such approval. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 8.4. Waiver. At any time prior to the Effective Time, either party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered pursuant hereto and (c) waive compliance by the other party 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 or parties to be bound thereby.

SECTION 8.5. Fees, Expenses and Other Payments. All costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred by the parties hereto shall be borne solely and entirely by the party which has incurred such costs and expenses; provided, however, that all costs and expenses related to printing, filing and mailing the Registration Statement and the Proxy Statement and all SEC and other regulatory filing fees incurred in connection with the Registration Statement and the Proxy Statement shall be borne equally by Paramount and Viacom.

ARTICLE IX

GENERAL PROVISIONS

SECTION 9.1. Effectiveness of Representations, Warranties and Agreements. (a) Except as set forth in Section 9.1(b), the representations, warranties and agreements of each party hereto shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any other party hereto, any person controlling any such party or any of their officers or directors, whether prior to or after the execution of this Agreement.

(b) The representations, warranties and agreements in this Agreement shall terminate at the Effective Time or upon the termination of this Agreement pursuant to Article VIII, except that the agreements set forth in Articles I, II and IX and Sections 6.3 and 6.21 shall survive the Effective Time and those set forth in Sections 2.2(c), 2.3, 6.1(b), 8.2 and 8.5 and Article IX hereof shall survive termination.

(c) Each of the representations and warranties made in Article III shall be deemed to be made on September 12, 1993 and not made on the date hereof, except for representations and warranties which address matters as of a particular date, provided, that the representations set forth in the last sentence of Section 3.4, Sections 3.13, 3.14, 4.13 and 4.17 and any representations and warranties with respect to this Agreement, the Merger and the Offer are made on the date hereof.

(d) Each of Paramount and Viacom agree that nothing herein shall constitute a waiver of any rights, claims or defenses of Viacom or Paramount created by or arising under the Amended and Restated Agreement and Plan of Merger, dated as of October 24, 1993, as subsequently amended, or the Stock Option Agreement, dated as of September 12, 1993, between Paramount and Viacom, as amended by Amendment No. 1 thereto, dated as of October 24, 1993, all of which rights, claims and defenses are hereby expressly reserved.

SECTION 9.2. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered, mailed or transmitted, and shall be effective upon receipt, if delivered personally, mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like changes of address) or sent by electronic transmission to the telecopier number specified below:

(a) If to Viacom:
Viacom Inc.
1515 Broadway
New York, NY 10036
Attention: Senior Vice President,
General Counsel

Telecopier No.: (212) 258-6134

with a copy to:
Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: Stephen R. Volk, Esq.
Telecopier No.: (212) 848-7179

(b) If to Paramount:
Paramount Communications Inc.
15 Columbus Circle
New York, NY 10023
Attention: Executive Vice President and
General Counsel

Telecopier No.: (212) 373-8184

with a copy to:
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, NY 10017
Attention: Joel S. Hoffman
Telecopier No.: (212) 455-2502

SECTION 9.3. Certain Definitions. For purposes of this Agreement, the term:

(a) "affiliate" means a person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person;

(b) "beneficial owner" with respect to any shares of Paramount Common Stock means, unless otherwise defined herein, a person who shall be deemed to be the beneficial owner of such shares (i) which such person or any of its affiliates or associates (as such term is defined in Rule 12b-2 promulgated under the Exchange Act) beneficially owns, directly or indirectly, (ii) which such person or any of its affiliates or associates has, directly or indirectly, (A) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise or (B) the right to vote pursuant to any agreement, arrangement or understanding or (iii) which are beneficially owned, directly or indirectly, by any other persons with whom such person or any of its affiliates or associates, or any person with whom such person or any of its affiliates or associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares;

(c) "business day" shall have the meaning set forth in Rule 14d-1(c)(6) as promulgated under the Exchange Act;

(d) "control" (including the terms "controlled", "controlled by" and "under common control with") means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of stock or as trustee or executor, by contract or credit arrangement or otherwise;

(e) The parties agree that the term "fully diluted basis" as used herein, shall mean giving effect to the shares of Paramount Common Stock then outstanding plus the shares of Paramount Common Stock issuable upon the exercise of the then exercisable stock options;

(f) The parties agree that the term "Merger", as used herein, may refer to, consistent with the context of such usage, each of the single step merger, the second step merger following the Offer, or both. The parties hereto agree to promptly amend this Agreement subsequent to the execution and delivery thereof to provide for more precise defined terms and usage thereof; and

(g) "subsidiary" or "subsidiaries" of Paramount, Viacom, the Surviving Corporation or any other person means any corporation, partnership, joint venture or other legal entity of which Paramount, Viacom, the Surviving Corporation or such other person, as the case may be (either

alone or through or together with any other subsidiary), owns, directly or indirectly, 50% or more of the stock or other equity interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

SECTION 9.4. Time Period. In computing any time period hereunder, the computation shall be governed by Rule 14d-1(c)(6) as promulgated under the Exchange Act.

SECTION 9.5. 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 9.6. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of 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 materially adverse to any party. 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 to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

SECTION 9.7. Entire Agreement. This Agreement (together with the Exhibits, the Paramount Disclosure Schedule, the Viacom Disclosure Schedule and the other documents delivered pursuant hereto) and the Confidentiality Agreements constitute the entire agreement of the parties and supersede all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof.

SECTION 9.8. Assignment. This Agreement shall not be assigned by operation of law or otherwise.

SECTION 9.9. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied (other than the provisions of Section 6.3), is intended to or shall confer upon any person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, including to confer third party beneficiary rights; provided, however, nothing in the foregoing shall be deemed to derogate from any rights of the Other Offeror (other than as a third party beneficiary) as against Paramount or its Board with respect to any amendment of this Agreement or failure to enforce the Agreement.

SECTION 9.10. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

SECTION 9.11. Governing Law. Except to the extent that Delaware Law is mandatorily applicable to the Merger and the rights of the stockholders of Paramount and Viacom, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

SECTION 9.12. 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.

IN WITNESS WHEREOF, Viacom and Paramount have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

ATTEST:
By /s/ KATHERINE B. ROSENBERG .....
Assistant Secretary

VIACOM INC.
By /s/ PHILIPPE P. DAUMAN
.....
Senior Vice President,
General Counsel and Secretary

ATTEST:
By /s/ EARL H. DOPPELT
Assistant Secretary

PARAMOUNT COMMUNICATIONS INC.
By /s/ DONALD ORESMAN
.....
Executive Vice President

CONDITIONS TO THE OFFER

Notwithstanding any other provision of the Offer, Viacom shall not be required to accept for payment or pay for any shares of Paramount Common Stock tendered pursuant to the Offer, and may terminate or amend the Offer and may postpone the acceptance for payment of and payment for shares of Paramount Common Stock tendered, if (i) the Minimum Condition shall not have been satisfied, (ii) the Rights Condition shall not have been satisfied, or (iii) at any time on or after the date of this Agreement, and prior to the acceptance for payment of shares of Paramount Common Stock, any of the following conditions shall not exist:

(a) No Governmental Entity or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Offer, the Merger or any transaction contemplated by the Agreement; provided that Viacom shall have used its reasonable best efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted;

(b) Each of the representations and warranties of Paramount contained in the Agreement (including, without limitation, Section 6.6), without giving effect to any notification to Viacom delivered pursuant to Section 6.4, shall be true and correct as of the date of consummation of the Offer as though made on and as of such date, except (i) for changes specifically permitted by the Agreement and (ii) that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date, except in any case for such failures to be true and correct which would not, individually or in the aggregate, have a Paramount Material Adverse Effect;

(c) Paramount shall have performed or complied in all material respects with all agreements and covenants required by the Agreement to be performed or complied with by it on or prior to the date of consummation of the Offer;

(d) Since December 22, 1993, there shall have been no change, occurrence or circumstance in the business, results of operations or financial condition of Paramount or any Paramount Subsidiary having or reasonably likely to have, individually or in the aggregate, a material adverse effect on the business, results of operations or financial condition of Paramount and the Paramount Subsidiaries, taken as a whole;

(e) The Agreement shall not have been terminated in accordance with its terms;

(f) Viacom shall not have terminated the Offer under Sections 2.1(c) or 2.5 of the Agreement;

(g) Viacom and Paramount shall not have agreed that Viacom shall terminate the Offer or postpone the acceptance for payment of or payment for shares of Paramount Common Stock thereunder;

and, in the reasonable judgment of Viacom in any such case, and regardless of the circumstances (including any action or inaction by Viacom or any of its affiliates) giving rise to any such condition, it is inadvisable to proceed with such acceptance for payment or payment.

The foregoing conditions are for the sole benefit of Viacom and may be asserted by Viacom regardless of the circumstances giving rise to any such condition or may be waived by Viacom in whole or in part at any time and from time to time in their sole discretion, subject to the terms of this Agreement. The failure by Viacom at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right that may be asserted at any time and from time to time.

ANNEX B

PRINCIPAL TERMS OF VIACOM MERGER DEBENTURES

VIACOM MERGER DEBENTURES	
Issuer	Viacom.
Interest	8% per annum, payable semi-annually, provided that the initial interest payment date shall be January 1, 1995.
Maturity	12 years from the Effective Time.
Optional Redemption	Not redeemable prior to the fifth anniversary of the Effective Time. On and after that date, redeemable, in whole or in part, at the option of Viacom, initially at a redemption price of 103% of the principal amount thereof and thereafter at prices declining to 100% of the principal amount thereof on the eighth anniversary of the Effective Time, plus, in each case, all accrued and unpaid interest.
Mandatory Redemption	None.
Denomination	Issuable in minimum denominations of $1,000 and integral multiples thereof.
Exchange for Viacom Exchange Preferred Stock	Exchangeable, at the option of Viacom, in whole but not in part, on or after the earlier of (i) January 1, 1995, but only if the Blockbuster Merger has not been consummated by such date, and (ii) the acquisition by a third party of beneficial ownership of a majority of the outstanding voting securities of Blockbuster, into shares of Viacom's 5% Cumulative Exchangeable Preferred Stock (the "Viacom Exchange Preferred Stock") at the rate of one share of Viacom Exchange Preferred Stock for each $50 in principal amount of Viacom Merger Debentures exchanged. At the time of the exchange, dividends on the Viacom Exchange Preferred Stock will be deemed to have accrued from the date of issuance of the Viacom Merger Debentures, and no accrued interest will be paid with respect to the Viacom Merger Debentures.
Subordination	Subordinated in right of payment to all Senior Indebtedness of Viacom. Senior Indebtedness of Viacom will be defined as (a) the principal of, premium, if any, and accrued and unpaid interest on (i) indebtedness of Viacom for money borrowed, including all obligations of Viacom under its bank credit facilities, (ii) guarantees by Viacom of indebtedness for money borrowed by any other person, including any guarantees by Viacom of obligations of Viacom International Inc., (iii) trade credit of Viacom and indebtedness evidenced by notes, debentures, bonds or other instruments of indebtedness for payment of which Viacom is responsible or liable, by guarantees or otherwise, and (iv) obligations of Viacom under capital leases, and (b) modifications, renewals, extensions and refunding of any such indebtedness, obligations or guarantees,

	unless it is provided that such indebtedness, obligations or guarantees, or such modifications, renewals, extensions or refundings thereof, are not superior in right of payment to the Viacom Merger Debentures. No payment on account of principal or interest on the Viacom Merger Debentures may be made if at the time of such payment there exists a payment default with respect to any Senior Indebtedness. Upon any distribution of the assets of Viacom upon any dissolution, total or partial liquidation or reorganization of or similar proceeding relating to Viacom, the holders of its Senior Indebtedness will be entitled to receive payment in full before the Viacom Merger Debenture holders are entitled to receive any payment.
Events of Default.....	The term "Event of Default" when used in the indenture for the Viacom Merger Debentures will mean any of the following: (i) failure of Viacom to pay (whether or not prohibited by the subordination provisions) interest for thirty days on the principal of or any redemption payment on any of the Viacom Merger Debentures, (ii) failure to perform any other covenant contained in the Indenture for sixty days after notice to Viacom by the trustee (or to Viacom and the trustee by the holders of at least 25% in aggregate principal amount of Viacom Merger Debentures then outstanding) and (iii) certain events of bankruptcy, insolvency or reorganization. Any acceleration of the Viacom Merger Debentures following an Event of Default shall not be effective until 5 business days after notice of acceleration to holders of Senior Indebtedness under Viacom's bank credit facilities.
VIACOM EXCHANGE PREFERRED STOCK	
Dividends.....	Cumulative from the Effective Time at the annual rate of $2.50 per share of Viacom Exchange Preferred Stock, payable quarterly; provided that, from and after the tenth anniversary of the Effective Time, the annual rate shall increase from $2.50 to $5.00 per share of Viacom Exchange Preferred Stock.
Liquidation Preference.....	$50.00 per share of Viacom Exchange Preferred Stock, plus accrued and unpaid dividends.
Optional Redemption.....	Not redeemable prior to the fifth anniversary of the Effective Time. On and after that date, redeemable in whole or in part, at the option of Viacom, initially at a per share redemption price of $52.50 and thereafter at prices declining to $50.00 on and after the tenth anniversary of the Effective Time, plus, in each case, all accrued and unpaid dividends.
Mandatory Redemption.....	None.
Exchange for Viacom Exchange Debentures.....	Exchangeable in whole or in part, at the option of Viacom, on any dividend payment date beginning on and after the third anniversary of the Effective Time, for Viacom's 5% Subordinated Debentures (the "Viacom Exchange Debentures") at the rate of $50.00 principal amount of Viacom Exchange Debentures for each share of Viacom Exchange

	Preferred Stock. Viacom may effect such exchange only if all accrued and unpaid dividends on the Viacom Exchange Preferred Stock have been paid.
Voting Rights	No voting rights except (i) as otherwise required by law and (ii) for the right to elect two additional directors to Viacom's Board of Directors in the event that Viacom has failed to pay dividends payable on the shares of Viacom Exchange Preferred Stock for such number of dividend periods which shall in the aggregate contain not less than 360 days. In any such election, the holders of shares of Viacom Exchange Preferred Stock will vote separately as a class with the holders of shares of any one or more other shares of preferred stock ranking on a parity with the Viacom Exchange Preferred Stock. Such right to elect two directors will continue until such dividend arrearages have been paid.
VIACOM EXCHANGE DEBENTURES	
Interest	5% per annum; provided that, from and after the tenth anniversary of the Effective Time, the interest rate shall increase to 10% per annum, payable semi-annually.
Aggregate Principal Amount	Equal to aggregate liquidation preference of Viacom Exchange Preferred Stock exchanged, with the Viacom Exchange Debentures being issued in minimum denominations of $1,000 and integral multiples thereof.
Maturity	20 years from the Effective Time.
Optional Redemption	Not redeemable prior to the fifth anniversary of the Effective Time. On and after that date, redeemable, in whole or in part, at the option of Viacom, initially at a redemption price of 105% of the principal amount thereof and thereafter at prices declining to 100% of the principal amount thereof on and after the tenth anniversary of the Effective Time, plus, in each case, all accrued and unpaid interest.
Mandatory Redemption	None.
Subordination	Same as the Viacom Merger Debentures.
Events of Default	Same as the Viacom Merger Debentures.

PRINCIPAL TERMS OF CONTINGENT VALUE RIGHTS ("CVRS")

Issuer	Viacom.
Payment at Maturity	Following the maturity of a CVR, the holder of such CVR (the "CVR Holder") shall have the right to receive the amount, if any, by which the Target Price exceeds the greater of the Current Market Value and the Minimum Price (each as defined below). The CVRs shall mature on the Maturity Date unless otherwise extended to the First Extended Maturity Date or the Second Extended Maturity Date, as the case may be (each as defined below).
Form of Payment	Viacom, at its option, may pay any amount due under the terms of the CVRs to the CVR Holders in cash or in the equivalent fair market value (as determined by an independent nationally recognized investment bank) of registered securities of Viacom, including, without limitation, common stock, preferred stock, notes or other securities.
Target Price	"Target Price" means (i) at the Maturity Date, $48.00, (ii) at the First Extended Maturity Date, $51.00 and (iii) at the Second Extended Maturity Date, $55.00. In each case, such Target Prices shall be adjusted upon the occurrence of any event described in the Section entitled "Antidilution" set forth below.
Current Market Value	"Current Market Value" means (i) with respect to the Maturity Date and the First Extended Maturity Date, the median of the averages of the closing prices on the American Stock Exchange (or such other exchange on which such shares are then listed) of shares of Viacom's Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), during each 20 consecutive trading day period that both begins and ends in the Valuation Period and (ii) with respect to the Second Extended Maturity Date, the average of the closing prices on the American Stock Exchange (or such other exchange on which such shares are then listed) of the Class B Common Stock during the 20 consecutive trading days in the Valuation Period which yield the highest such average of the closing prices for any such 20 consecutive trading day period within the Valuation Period. "Valuation Period" means the 60 trading day period immediately preceding (and including) the Maturity Date, the First Extended Maturity Date or the Second Extended Maturity Date, as the case may be.
Minimum Price	"Minimum Price" means (i) at the Maturity Date, $36.00, (ii) at the First Extended Maturity Date, $37.00 and (iii) at the Second Extended Maturity Date, $38.00. In each case, subject to adjustment upon the occurrence of any event described in the Section entitled "Antidilution" set forth below.
Maturity Date; Extensions Thereof	"Maturity Date" means the first anniversary of the effective time (the "Effective Time") of the merger between Viacom and Paramount Communications Inc. (the "Merger"); provided, however, that Viacom, at its option, may (i) extend the

	Maturity Date to the second anniversary of the Effective Time (the "First Extended Maturity Date") and (ii) extend the First Extended Maturity Date to the third anniversary of the Effective Time (the "Second Extended Maturity Date"). Viacom shall exercise either such option to extend by publishing notice of such exercise in the Wall Street Journal (Eastern Edition), or if the Wall Street Journal is not then published, such other newspaper with general circulation in the City of New York, New York no later than one business day preceding the Maturity Date or First Extended Maturity Date, as the case may be.
No Interest.....	Other than in the case of interest on the Default Amount (as defined below), no interest shall accrue on any amounts payable to the CVR Holders pursuant to the terms of CVRs.
Disposition Payment.....	Following the consummation of a Disposition (as defined below), Viacom shall pay to each CVR Holder for each CVR held by such CVR Holder an amount, if any, by which the Discounted Target Price (as defined below) exceeds the greater of (a) the fair market value (as determined by an independent nationally recognized investment banking firm) of the consideration, if any, received by holders of Class B Common Stock for each share of Class B Common Stock held by such holder as a result of such Disposition and (b) the Minimum Price.
Dispositions.....	"Disposition" means (a) a merger, consolidation or other business combination involving Viacom as a result of which no shares of Class B Common Stock shall remain outstanding, (b) a sale, transfer or other disposition, in one or a series of transactions, of all or substantially all of the assets of Viacom or (c) a reclassification of Class B Common Stock as any other capital stock of Viacom or any other person.
Acceleration Upon Event of Default.....	If an Event of Default (as defined below) occurs and is continuing, either the bank or trust company acting as the trustee (the "Trustee") or CVR Holders holding at least 25% of the outstanding CVRs, by notice to Viacom (and to the Trustee if given by CVR Holders), may declare the CVRs to be due and payable, and upon any such declaration, the Default Amount shall become due and payable and, thereafter, shall bear interest at an interest rate of 8% per annum until payment is made to the Trustee. "Default Amount" means the amount, if any, by which the Discounted Target Price exceeds the Minimum Price.
Discounted Target Price.....	"Discounted Target Price" means (a) if a Disposition or an Event of Default shall occur prior to the Maturity Date, $48.00, discounted to the Disposition Payment Date (as defined below) or the Default Payment Date (as defined below), as the case may be, at a per annum rate of 8%; (b) if a Disposition or an Event of Default shall occur after the Maturity Date but prior to the First Extended Maturity Date, $51.00 discounted to the date of the Disposition Payment Date or Default Payment Date, as the case may be, at a per annum rate of 8%; or (c) if a Disposition or an Event of Default shall occur after the First Extended Maturity Date but prior to the Second Extended Maturity Date, $55.00 discounted to the Disposition Payment

	Date or Default Payment Date, as the case may be, at a per annum rate of 8%. In each case, the Discounted Target Price and the Minimum Price shall be adjusted upon the occurrence of any event described in the Section entitled "Antidilution" set forth below. "Disposition Payment Date", with respect to a Disposition, means the date established by Viacom for payment of the amount due on the CVRs in respect of such Disposition, which in no event shall be more than 30 days after the date on which such Disposition was consummated. "Default Payment Date" means the date on which the CVRs become due and payable upon the declaration thereof following an Event of Default.
Events of Default.....	"Event of Default", with respect to the CVRs, means any of the following which shall have occurred and be continuing; (a) default in the payment of all or any part of the amounts payable in respect of any of the CVRs as and when the same shall become due and payable following the Maturity Date, the First Extended Maturity Date or the Second Extended Maturity Date, the Disposition Payment Date or otherwise; (b) material default in the performance, or material breach, of any material covenant or warranty of Viacom, and continuance of such material default or breach for a period of 90 days after written notice has been given to Viacom by the Trustee or to Viacom and the Trustee by CVR Holders holding at least 25% of the outstanding CVRs; or (c) certain events of bankruptcy, insolvency, reorganization or other similar events in respect of Viacom.
Antidilution.....	If Viacom shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the number of outstanding shares of Class B Common Stock, Viacom shall correspondingly subdivide or combine the CVRs and shall appropriately adjust the Target Price, the Minimum Price and the Discounted Target Price.
Trading.....	None of Viacom, National Amusements, Inc. or any of their affiliates shall trade in shares of Class B Common Stock during the period commencing 10 trading days before the Valuation Period and ending on the last day of the Valuation Period, except with respect to employee benefit plans and other incentive compensation arrangements.
No Fractional CVRs.....	No fraction of a CVR will be issued in the Merger. In lieu thereof, a cash payment will be made in an amount equivalent to the fair market value of the fraction of the CVR.
CVR Agreement.....	The CVRs will be issued pursuant to a CVR Agreement between Viacom and the Trustee. Viacom shall use its reasonable best efforts to cause the CVR Agreement to be qualified under the Trust Indenture Act of 1939, as amended.
Registration/Listing.....	The CVRs will be issued in registered form, and Viacom shall use its reasonable best efforts to list the CVRs on the American Stock Exchange (or such other securities exchange on which the shares of Class B Common Stock are then listed).
Nature and Ranking of CVRs.....	The CVRs are unsecured obligations of Viacom and will rank equally with all other unsecured obligations of Viacom.

PRINCIPAL TERMS OF THREE YEAR WARRANTS

Each Three Year Warrant will entitle the holder thereof to purchase one share of Viacom Class B Common Stock per whole Three Year Warrant at any time prior to the third anniversary of the Merger at a price of $60.00, payable in cash. The terms of the Three Year Warrants will include customary anti-dilution (with respect to stock splits, stock dividends, reverse stock splits or other similar subdivisions or combinations of stock) and other provisions. No fraction of a Three Year Warrant will be issued in the Merger. In lieu thereof, a cash payment will be made in an amount determined in accordance with Section 1.7 of this Agreement.

PRINCIPAL TERMS OF FIVE YEAR WARRANTS

Each Five Year Warrant will entitle the holder thereof to purchase one share of Viacom Class B Common Stock per whole Five Year Warrant at any time prior to the fifth anniversary of the Merger at a price of $70.00, exercisable for cash or by exchanging, if issued, either Viacom Exchange Preferred Stock with an equivalent liquidation preference or an equivalent principal amount of Viacom Exchange Debentures. The terms of the Five Year Warrants will include customary anti-dilution (with respect to stock splits, stock dividends, reverse stock splits or other similar subdivisions or combinations of stock) and other provisions. No fraction of a Five Year Warrant will be issued in the Merger. In lieu thereof, a cash payment will be made in an amount determined in accordance with Section 1.7 of this Agreement.

EXHIBIT 6.14

FORM OF AFFILIATE LETTER

Viacom Inc.
1515 Broadway
New York, NY 10036

Gentlemen:

I have been advised that as of the date of this letter I may be deemed to be an "affiliate" of Paramount Communications Inc., a Delaware corporation (the "Company"), as the term "affiliate" is defined for purposes of paragraphs (c) and (d) of Rule 145 of the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"). Pursuant to the terms of the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 (the "Agreement"), between Viacom Inc., a Delaware corporation ("Viacom"), and the Company, the Company will be merged with and into Viacom or a wholly owned Subsidiary of Viacom (the "Merger").

As a result of the Merger, I may receive (i) shares of Class B common stock, par value $.01 per share, of Viacom, (ii) 8% exchangeable subordinated debentures of Viacom, (iii) CVRs (as defined in the Agreement) and (iv) Warrants (as defined in the Agreement) (collectively, the "Viacom Securities"). I would receive such securities in exchange for, respectively, shares (or options for shares) owned by me of common stock, par value $1.00 per share, of the Company (the "Company Securities").

I represent, warrant and covenant to Viacom that in the event I receive any Viacom Securities as a result of the Merger:

A. I shall not make any sale, transfer or other disposition of the Viacom Securities in violation of the Act or the Rules and Regulations.

B. I have carefully read this letter and the Agreement and discussed the requirements of such documents and other applicable limitations upon my ability to sell, transfer or otherwise dispose of Viacom Securities to the extent I felt necessary, with my counsel or counsel for the Company.

C. I have been advised that the issuance of Viacom Securities to me pursuant to the Merger has been registered with the Commission under the Act on a Registration Statement Form S-4. However, I have also been advised that, because at the time the Merger is submitted for a vote of the stockholders of the Company, (a) I may be deemed to be an affiliate of the Company and (b) the distribution by me of the Viacom Securities has not been registered under the Act, I may not sell, transfer or otherwise dispose of Viacom Securities issued to me in the Merger unless (i) such sale, transfer or other disposition is made in conformity with the volume and other limitations of Rule 145 promulgated by the Commission under the Act, (ii) such sale, transfer or other disposition has been registered under the Act or (iii) in the opinion of counsel reasonably acceptable to Viacom, such sale, transfer or other disposition is otherwise exempt from registration under the Act.

D. I understand that Viacom is under no obligation to register the sale, transfer or other disposition of the Viacom Securities by me or on my behalf under the Act or to take any other

action necessary in order to make compliance with an exemption from such registration available solely as a result of the Merger.

E. I also understand that there will be placed on the certificates for the Viacom Securities issued to me, or any substitutions therefor, a legend stating in substance:

"THE [SHARES] [RIGHTS] [DEBENTURES] [WARRANTS] REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933 APPLIES. THE [SHARES] [RIGHTS] [DEBENTURES] [WARRANTS] REPRESENTED BY THIS CERTIFICATE MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT DATED BETWEEN THE REGISTERED HOLDER HEREOF AND VIACOM INC., A COPY OF WHICH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICES OF VIACOM INC."

F. I also understand that unless a sale or transfer is made in conformity with the provisions of Rule 145, or pursuant to a registration statement, Viacom reserves the right to put the following legend on the certificates issued to my transferee:

"THE [SHARES] [RIGHTS] [DEBENTURES] [WARRANTS] REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND WERE ACQUIRED FROM A PERSON WHO RECEIVED SUCH SHARES IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933 APPLIES. THE [SHARES] [RIGHTS] [DEBENTURES] [WARRANTS] HAVE BEEN ACQUIRED BY THE HOLDER NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933."

It is understood and agreed that the legends set forth in paragraphs E and F above shall be removed by delivery of substitute certificates without such legend if the undersigned shall have delivered to Viacom a copy of a letter from the staff of the Commission, or an opinion of counsel reasonably satisfactory to Viacom in form and substance reasonably satisfactory to Viacom, to the effect that such legend is not required for purposes of the Act.

Execution of this letter should not be considered an admission on my part that I am an "affiliate" of the Company as described in the first paragraph of this letter, or as a waiver of any rights I may have to object to any claim that I am such an affiliate on or after the date of this letter.

Very truly yours,

.....

Name:

Accepted this day of
, 1994, by
VIACOM INC.
By .....

Name:
Title:

AMENDMENT NO. 1, dated as of May 26, 1994 (this "Amendment"), to the Amended and Restated Agreement and Plan of Merger, dated as of February 4, 1994, among PARAMOUNT COMMUNICATIONS INC., a Delaware corporation ("Paramount"), VIACOM INC., a Delaware corporation ("Viacom"), and VIACOM SUB INC., a Delaware corporation and a wholly owned subsidiary of Viacom ("Merger Subsidiary").

WITNESSETH:

WHEREAS, Viacom and Paramount have entered into an Amended and Restated Agreement and Plan of Merger, dated as of February 4, 1994 (the "Merger Agreement"; capitalized terms not defined herein have the meanings ascribed to them in the Merger Agreement); and

WHEREAS, Viacom and Paramount desire to amend the Merger Agreement in order to make Merger Subsidiary a party thereto, to provide that Merger Subsidiary merge with and into Paramount at the Effective Time and to provide for alternative treatment of Stock Options.

NOW THEREFORE, in consideration of the premises and of the mutual agreements and understandings hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Amendments to Merger Agreement. The Merger Agreement is, effective as of the date hereof, hereby amended as follows:

(a) In the preamble, (i) the word "among" shall be substituted for the word "between" in the first place at which it appears therein and (ii) the phrase "VIACOM SUB INC., a Delaware corporation and a wholly owned subsidiary of Viacom ("Merger Subsidiary")," shall be added immediately after the phrase "("Viacom")," and immediately before the word "and".

(b) In the second WHEREAS clause, (i) the phrases (A) "while preserving the ability to proceed with a single-step merger in appropriate circumstances,"; (B) "Paramount will merge with and into Viacom (the "Forward Merger") or alternatively, a subsidiary of Viacom ("Merger Subsidiary")"; and (C) "Reverse Merger" and, together with the Forward Merger, the" shall each be deleted; and (ii) the phrase "Merger Subsidiary" shall be added immediately before the phrase "will merge with and into Paramount".

(c) The word "and" shall be added to the end of the fifth WHEREAS clause.

(d) The sixth WHEREAS clause shall be deleted in its entirety.

(e) Section 1.1 shall be restated in full to read as follows:

"SECTION 1.1. The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with Delaware Law, at the Effective Time (as defined in Section 1.3), Merger Subsidiary shall be merged with and into Paramount. As a result of the Merger, the separate corporate existence of Merger Subsidiary shall cease and Paramount shall continue as the surviving corporation of the Merger (the "Surviving Corporation").".

(f) In Section 1.4, (i) the phrase "Viacom (or, in the case of the Reverse Merger," shall be deleted in both places at which it appears and (ii) the parenthetical that immediately follow the phrase "Merger Subsidiary" shall be deleted in both places at which such phrase appears.

(g) In Section 1.5, (i) paragraph (a) shall be deleted; (ii) the phrase "(b) Alternatively,", which appears in paragraph (b), shall be deleted; (iii) the word "At", which appears in paragraph (b), shall be substituted for the word "at", which also appears in paragraph (b); and (iv) the word "Reverse", which appears in paragraph (b), shall be deleted.

(h) The first sentence of Section 1.6(a) shall be restated in full as follows:

"(a) Each share of Paramount Common Stock issued and outstanding immediately prior to the Effective Time (other than any shares of Paramount Common Stock to be canceled pursuant to Section 1.6(c) and any Dissenting Shares (as defined in Section 1.10)) shall be converted into the right to receive (A) .93065 shares of Class B common stock, par value $0.01 per share ("Viacom Class B Common Stock"), of Viacom (the "Class B Exchange Ratio"), (B) $17.50 principal amount of 8% exchangeable subordinated debentures (the "Viacom Merger Debentures") of Viacom having the principal terms described in Annex B (the "Debenture Exchange Ratio"), (C) .93065 contingent value rights of Viacom (the "CVRs") having the principal terms described in Annex C (the "CVR Exchange Ratio"), (D) .50 warrants (the "Three Year Warrants") of Viacom having the principal terms described in Annex D (the "Three Year Warrant Exchange Ratio") and (E) .30 warrants (the "Five Year Warrants", and together with the Three Year Warrants, the "Warrants") of Viacom having the principal terms described in Annex E (the "Five Year Warrant Exchange Ratio"); provided, however, that, in any event, if between the date of this Agreement and the Effective Time the outstanding shares of Viacom Class B Common Stock or Paramount Common Stock shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, the amounts of Viacom Class B Common Stock, Viacom Merger Debentures, CVRs and Warrants specified above shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares.".

(i) The text of Section 1.6(b) shall be deleted in its entirety, and, in lieu thereof, the phrase "[Intentionally Omitted]" shall be added.

(j) In Section 1.6(d), (i) the phrase "In the Reverse Merger," shall be deleted, and (ii) the word "Each" shall be substituted for the word "each", which appears immediately after the deleted phrase and before the word "share".

(k) Sections 1.7(a) and (b) shall be restated in full to read as follows:

"SECTION 1.7. Exchange of Certificates and Cash. (a) Exchange Agent. As of the Effective Time, Viacom shall deposit, or shall cause to be deposited, with or for the account of a bank or trust company designated by Viacom, which shall be reasonably satisfactory to Paramount (the "Exchange Agent"), for the benefit of the holders of shares of Paramount Common Stock (other than Dissenting Shares), for exchange in accordance with this Article I, through the Exchange Agent, certificates evidencing the shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the Warrants and the CVRs issuable pursuant to Section 1.6 in exchange for outstanding shares of Paramount Common Stock (such certificates for shares of Viacom Class B Common Stock, the Viacom Merger Debentures, the Warrants and the CVRs, together with any dividends or distributions with respect thereto, being hereafter collectively referred to as the "Exchange Fund"). The Exchange Agent shall, pursuant to irrevocable instructions, deliver the shares of Viacom Class B Common Stock, the Viacom Merger Debentures, Warrants and CVRs contemplated to be issued pursuant to Section 1.6 out of the Exchange Fund to holders of shares of Paramount Common Stock. Except as contemplated by Section 1.7(d) hereof, the Exchange Fund shall not be used for any other purpose. Any interest, dividends or other income earned on the investment of cash or other property held in the Exchange Fund shall be for the account of Viacom.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, Viacom will instruct the Exchange Agent to mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time evidenced outstanding shares of Paramount Common Stock (other than Dissenting Shares) (the "Certificates"), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Viacom may reasonbly specify)

and (ii) instructions to effect the surrender of the Certificates in exchange for the certificates evidencing shares of Viacom Class B Common Stock, the Viacom Merger Debentures, CVRs and Warrants. Upon surrender of a Certificate for cancellation to the Exchange Agent together with such letter of transmittal, duly executed, and such other customary documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor (A) certificates evidencing that number of whole shares of Viacom Class B Common Stock and that number of whole CVRs, Viacom Merger Debentures and Warrants which such holder has the right to receive in accordance with Section 1.6 in respect of the shares of Paramount Common Stock formerly evidenced by such Certificate, (B) any dividends or other distributions to which such holder is entitled pursuant to Section 1.7(c) and (C) cash in lieu of fractional shares of Viacom Class B Common Stock and fractional CVRs, Viacom Merger Debentures and Warrants to which such holder is entitled pursuant to Section 1.7(d) (the shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants, dividends, distributions and cash described in clauses (A), (B) and (C) being, collectively, the "Merger Consideration"), and the Certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of shares of Paramount Common Stock which is not registered in the transfer records of Paramount, shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures, Warrants and cash may be issued and paid in accordance with this Article I to a transferee if the Certificate evidencing such shares of Paramount Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 1.7, each Certificate shall be deemed at any time after the Effective Time to evidence only the right to receive upon such surrender the Merger Consideration."

(l) Section 1.9 shall be restated in full to read as follows:

"SECTION 1.9. Stock Options; Payment Rights. (a) At the Effective Time, Paramount's obligations with respect to each outstanding Stock Option (as defined in Section 3.3) to purchase shares of Paramount Common Stock, as amended in the manner described in the following sentence, shall be assumed by Viacom. The Stock Options so assumed by Viacom shall continue to have, and be subject to, the same terms and conditions as set forth in the stock option plans and agreements pursuant to which such Stock Options were issued as in effect immediately prior to the Effective Time, except that:

(A) each such Stock Option shall be exercisable for:

(1) that number of whole shares of Viacom Class B Common Stock equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .5 and further multiplied by the Class B Exchange Ratio and rounded up to the nearest whole number of shares of Viacom Class B Common Stock;

(2) that number of whole CVRs equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .5 and further multiplied by the CVR Exchange Ratio and rounded up to the nearest whole number of CVRs; provided, that, if the option holder has not exercised his or her Stock Option prior to the maturity of the CVRs, then the CVRs described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the amount by which the Target Price (as defined in Annex C hereto) exceeds the greater of the Current Market Value (as defined in Annex C hereto) and the Minimum Price (as defined in Annex C hereto) on the maturity date, multiplied by the number of such CVRs, rounded up to the nearest whole number of shares;

(3) that number of whole Three Year Warrants equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the

Effective Time multiplied by .5 and further multiplied by the Three Year Warrant Exchange Ratio and rounded up to the nearest whole number of Three Year Warrants; provided, that, if the option holder has not exercised his or her Stock Option prior to the third anniversary of the Effective Time, then the Three Year Warrants described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the fair market value of such Three Year Warrants (as determined by reference to the average trading price for the five-day trading period immediately prior to the third anniversary of the Effective Time, if available, or, if not available, in the reasonable judgment of the Viacom Board of Directors), rounded up to the nearest whole number of shares;

(4) that number of whole Five Year Warrants equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .5 and further multiplied by the Five Year Warrant Exchange Ratio and rounded up to the nearest whole number of Five Year Warrants; provided, that, if the option holder has not exercised his or her Stock Option prior to the fifth anniversary of the Effective Time, then the Five Year Warrants described above shall be replaced by that number of shares of Viacom Class B Common Stock equal in value to the fair market value of such Five Year Warrants (as determined by reference to the average trading price for the five-day trading period immediately prior to the fifth anniversary of the Effective Time, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors), rounded up to the nearest whole number of shares;

(5) that (A) principal amount of whole Viacom Merger Debentures equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .5 and further multiplied by the Debenture Exchange Ratio plus an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Merger Debenture, as determined by reference to a five day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors by (y) the fractional interest in a Viacom Merger Debenture to which such option holder would otherwise by entitled or (B) if issued, that number of whole shares of Viacom Exchange Preferred Stock equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .5 and further multiplied by .35 and rounded up to the nearest whole number of shares of Viacom Exchange Preferred Stock or (C) if issued, that principal amount of whole Viacom Exchange Debentures equal to the product of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .5 and further multiplied by the Debenture Exchange Ratio plus an amount in cash (without interest), rounded to the nearest cent, determined by multiplying (x) the fair market value of one Viacom Exchange Debenture, as determined by reference to a five day average trading price, if available, or if not available, in the reasonable judgment of the Viacom Board of Directors by (y) the fractional interest in a Viacom Exchange Debenture to which such option holder would otherwise be entitled; and

(6) that number of whole shares of Viacom Class B Common Stock equal to the result of the number of shares of Paramount Common Stock covered by such Stock Option immediately prior to the Effective Time multiplied by .5 and multiplied further by $107, with such product being divided by the First Year Anniversary Average Trading Price (as defined in subsection (b) below) and rounded up to the nearest whole number; provided, that, if the option holder exercises his or her Stock Option prior to the first anniversary of the Effective Time, then the whole shares of Viacom Class B Common Stock described above shall be replaced by a right to receive such shares on the first year anniversary of the Effective Time;

and

(B) each holder of a Stock Option outstanding as of the Effective Time shall be provided with not less than ten days' advance notice of any involuntary termination of his employment by Viacom (other than by reason of his death or disability) in order to permit such holder to exercise such holder's then exercisable Stock Options during such ten-day period.

(b) As used in this Section 1.9, the "First Year Anniversary Average Trading Price" means the average closing price on the AMEX (or such other exchange on which such shares are then listed) for a share of Viacom Class B Common Stock during the 30 consecutive trading days immediately preceding the first year anniversary of the Effective Time. Viacom shall (A) reserve for issuance the number of shares of Viacom Class B Common Stock, CVRs, Viacom Merger Debentures and Warrants that will become issuable upon the exercise of such Stock Options pursuant to this Section 1.9 and (B) promptly after the Effective Time, issue to each holder of an outstanding Stock Option a document evidencing the assumption by Viacom of Paramount's obligations with respect thereto under this Section 1.9. Nothing in this Section 1.9 shall affect the schedule of vesting with respect to the Stock Options to be assumed by Viacom as provided in this Section 1.9.".

(m) In Section 1.10, the phrase "(as if such Shares were Non-Election Shares in the case of a Merger to which Section 1.6(b) applies)" shall be deleted.

(n) In Section 3.4, the phrase "and Merger Subsidiary" shall be added in the third sentence thereof immediately after the phrase "execution and delivery by Viacom" and before the comma following such phrase.

(o) The heading and preamble to Article IV shall be restated in full to read as follows:

"ARTICLE IV

REPRESENTATIONS AND WARRANTIES
OF VIACOM AND MERGER SUBSIDIARY

Viacom and Merger Subsidiary hereby, jointly and severally, represent and warrant to Paramount that:".

(p) In the first sentence of Section 4.1(a), the phrase ", Merger Subsidiary" shall be added immediately after the phrase "Each of Viacom" and before the phrase "and each Material Viacom Subsidiary".

(q) In the second sentence of Section 4.1(a), the phrase "Each of" shall be added at the beginning thereof, and the phrase ", Merger Subsidiary" shall be added immediately after the word "Viacom" and before the phrase "and each Material Viacom Subsidiary".

(r) In the first sentence of Section 4.2, the phrase ", Merger Subsidiary" shall be added immediately after the word "Viacom" and before the phrase "and each Material Viacom Subsidiary".

(s) In the third sentence of Section 4.2, (i) the phrase "None of" shall be substituted for the word "Neither", which appears at the beginning of such sentence, and (ii) the phrase ", Merger Subsidiary" shall be added immediately after the word "Viacom" and before the phrase "nor any Material Viacom Subsidiary".

(t) At the end of Section 4.3, the following sentences shall be added:

"The authorized capital stock of Merger Subsidiary consists of 200 shares of common stock, no par value ("Merger Subsidiary Common Stock"). As of May 26, 1994, 100 shares of Merger Subsidiary Common Stock were issued and outstanding, all of which were validly issued, fully paid and non-assessable. As of the date hereof and the Effective Time, except for obligations or liabilities incurred in connection with its incorporation or organization and the transactions contemplated by this Agreement and except for this Agreement and any other agreements or

arrangements contemplated by this Agreement, Merger Subsidiary has not and will not have incurred, directly or indirectly, through any subsidiary or affiliate, any obligations or liabilities or engaged in any business activities of any type or kind whatsoever or entered into any agreements or arrangements with any person.".

(u) In the first sentence of Section 4.4, (i) the phrase "Each of" shall be added at the beginning thereof, and (ii) the phrase "and Merger Subsidiary" shall be added immediately after the word "Viacom" and before the phrase "has all necessary power".

(v) The portion of the second sentence of Section 4.4 immediately preceding the phrase "are necessary to authorize this Agreement" shall be restated in full to read as follows:

"The execution and delivery of this Agreement by each of Viacom and Merger Subsidiary and the consummation by each of Viacom and Merger Subsidiary of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action and by the sole stockholder of Merger Subsidiary and the Voting Agreement has been approved by the Viacom Board of Directors for purposes of Section 203 of Delaware Law and no other corporate proceedings on the part of either Viacom or Merger Subsidiary".

(w) The third and final sentence of Section 4.4 shall be restated in full to read as follows:

"This Agreement has been duly and validly executed and delivered by each of Viacom and Merger Subsidiary and, assuming the due authorization, execution and delivery by Paramount, constitutes a legal, valid and binding obligation of each of Viacom and Merger Subsidiary, enforceable against each of Viacom and Merger Subsidiary in accordance with its terms.".

(x) The portion of the first and only sentence of Section 4.5(a) immediately preceding clause (ii) of such sentence shall be restated in full to read as follows:

"The execution and delivery of this Agreement by each of Viacom and Merger Subsidiary does not, and the performance of the transactions contemplated hereby by each of Viacom and Merger Subsidiary will not, (i) conflict with or violate the Certificate of Incorporation or By-Laws or equivalent organizational documents of Viacom, Merger Subsidiary or any Material Viacom Subsidiary,".

(y) In Section 4.5(b), the portion of the first and only sentence thereof immediately preceding the phrase "will not, require any consent," shall be restated in full to read as follows:

"The execution and delivery of this Agreement by each of Viacom and Merger Subsidiary does not, and the performance of this Agreement by each of Viacom and Merger Subsidiary".

(z) In Section 4.5(b), the phrase "each of Viacom and Merger Subsidiary" shall be substituted for the word "Viacom" which appears immediately prior to the phrase "from performing its obligations under this Agreement in any material respect".

(aa) In Section 4.16, the phrase "or Merger Subsidiary" shall be added at the end of the first sentence thereof.

(bb) In Section 5.1(a), the word "Exchange" shall be substituted for the word "Merger", which appears immediately before the phrase "Preferred Stock".

(cc) In Section 6.2, the following sentences shall be substituted for the phrase "Intentionally Omitted.":

"Severance Pay Plan. In the event that the Surviving Corporation terminates the employment of any Eligible Employee (as defined below), such Eligible Employee shall receive the benefits provided to employees under the Viacom International Severance Pay Plan, which became effective on August 31, 1991 (the "Severance Pay Plan"). An "Eligible Employee" is any full-time employee of the Surviving Corporation who was a full-time employee of Paramount immediately

prior to the Effective Time and who otherwise satisfies the eligibility requirements set forth in Section 2 of the Severance Pay Plan."

(dd) The following sentence shall be added at the end of Section 6.3(e): "Viacom agrees to guaranty the obligations of the Surviving Corporation under this Section 6.3 and shall discharge and perform the obligations of the Surviving Corporation to the extent the Surviving Corporation fails to do so.".

(ee) In Section 6.4, (i) the phrase "and Merger Subsidiary" shall be added after the word "Viacom" the first two times such word appears and (ii) in clause (ii) the phrase "any failure of Paramount, Viacom or Merger Subsidiary," shall be substituted for the phrase "any failure of Paramount or Viacom,".

(ff) Section 6.5 shall be deleted in its entirety, and, in lieu thereof, the phrase "[Intentionally Omitted]" shall be added.

(gg) The following sentence shall be added at the end of Section 6.7: "Viacom agrees to cause the shares of Paramount Common Stock owned by Viacom to be voted in favor of approval of the Merger.".

(hh) Section 6.19 shall be restated in full to read as follows:

"Section 6.19. Obligations of Merger Subsidiary. Viacom shall take all action necessary to cause Merger Subsidiary to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement."

(ii) In the heading of Section 7.2, the phrase "and Merger Subsidiary" shall be added immediately after the word "Viacom".

(jj) In the introductory clause of Section 7.2, the phrase "and Merger Subsidiary" shall be added after the word "Viacom" and before the phrase "to effect the Merger".

(kk) In Section 7.3(a), (i) the phrase "and Merger Subsidiary" shall be added immediately after the word "Viacom" and before the phrase "contained in this Agreement", and (ii) the phrase "or Merger Subsidiary" shall be added immediately after the word "Viacom" and before the phrase "to Paramount pursuant to Section 6.4".

(ll) In Section 8.1(c), the phrase "and Merger Subsidiary" shall be added immediately after the word "Viacom" and before the phrase "set forth in this Agreement,".

(mm) In Section 8.2, the phrase "Paramount, Viacom or Merger Subsidiary" shall be substituted for the phrase "Paramount or Viacom", which immediately follows the phrase " there shall be no liability on the part of".

(nn) In the first sentence of Section 8.4, (i) the word "any" shall be substituted for the word "either", which appears immediately after the phrase "Effective Time,", and (ii) the word "parties" shall be substituted for the word "party" in each instance where such word appears in clauses (a), (b) and (c) of such sentence.

(oo) In Section 9.2(a), the phrase "or Merger Subsidiary" shall be added immediately after the phrase "If to Viacom" and before the colon immediately following such phrase.

(pp) The word "and" shall be added at the end of Section 9.3(e).

(qq) The text of Section 9.3(f) shall be deleted, and the phrase "[Intentionally Omitted]" shall be substituted therefor.

(rr) The following text shall be added to the end of the Merger Agreement:

"ATTEST: VIACOM SUB INC.
By..... By....."

(ss) In the Index of Defined Terms, (i) the terms "Cash Election", "Cash Election Number", "Cash Election Shares", "Cash Fraction", "Form of Election", "Forward Merger", "Non-Election", "Non-Election Fraction", "Non-Election Shares", "Reverse Merger", "Securities Election", "Securities Election Number", "Securities Fraction" and "Stock Election Share" shall each be deleted; and (ii) the Section reference with respect to the term "Merger Subsidiary" shall be redesignated as "PREAMBLE".

SECTION 2. Effect of Amendment. Except as and to the extent modified by this Amendment, the Merger Agreement shall remain in full force and effect in all respects.

SECTION 3. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

SECTION 4. Counterparts. This Amendment 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.

IN WITNESS WHEREOF, Viacom, Merger Subsidiary and Paramount have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

ATTEST:

VIACOM INC.

By /s/ Katherine B. Rosenberg
.....
Name: Katherine B. Rosenberg
Title: Assistant Secretary

By /s/ Philippe P. Dauman
.....
Name: Philippe P. Dauman
Title: Executive Vice President, General Counsel and Chief Administrative Officer

ATTEST:

VIACOM SUB INC.

By /s/ Michael D. Fricklas
.....
Name: Michael D. Fricklas
Title: Vice President and Assistant Secretary

By /s/ Philippe P. Dauman
.....
Name: Philippe P. Dauman
Title: President and Secretary

ATTEST:

PARAMOUNT COMMUNICATIONS INC.

By /s/ Michael D. Fricklas
.....
Name: Michael D. Fricklas
Title: Senior Vice President, Deputy General Counsel and Assistant Secretary

By /s/ Philippe P. Dauman
.....
Name: Philippe P. Dauman
Title: Executive Vice President, General Counsel and Chief Administrative Officer

ANNEX II

PARAMOUNT VOTING AGREEMENT

[CONFORMED COPY]

VOTING AGREEMENT

VOTING AGREEMENT, dated as of January 21, 1994 (this "Agreement"), between NATIONAL AMUSEMENTS, INC., a Maryland corporation (the "Stockholder"), and PARAMOUNT COMMUNICATIONS INC., a Delaware corporation ("Paramount").

WHEREAS, Viacom Inc., a Delaware corporation ("Viacom"), and Paramount propose to enter into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), which provides, among other things, that Paramount will merge with Viacom pursuant to the merger contemplated by the Merger Agreement (the "Merger");

WHEREAS, as of the date hereof, the Stockholder owns (i) 45,547,214 shares of Class A Common Stock, par value $.01 per share, of Viacom ("Viacom Class A Common Stock") and (ii) 46,565,414 shares of Class B Common Stock, par value $.01 per share, of Viacom ("Viacom Class B Common Stock"; together with the Viacom Class A Common Stock, the "Viacom Common Stock"); and

WHEREAS, as a condition to the willingness of Paramount to enter into the Merger Agreement, Paramount has required that the Stockholder agree, and in order to induce Paramount to enter into the Merger Agreement, the Stockholder has agreed, to enter into this Agreement with respect to all the shares of Viacom Class A Common Stock now owned and which may hereafter be acquired by the Stockholder (the "Shares").

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I

VOTING OF SHARES

SECTION 1.01. Voting Agreement. The Stockholder hereby agrees that during the time this Agreement is in effect, at any meeting of the stockholders of Viacom, however called, and in any action by consent of the stockholders of Viacom, the Stockholder shall vote the Shares: (a) in favor of the Merger, the Merger Agreement (as amended from time to time) and the transactions contemplated by the Merger Agreement, including, but not limited to, the amendments to the Certificate of Incorporation of Viacom contemplated thereby, and (b) against any proposal for any recapitalization, merger, sale of assets or other business combination between Viacom and any person or entity (other than the Merger and any merger of Blockbuster Entertainment Corporation, a Delaware corporation ("Blockbuster"), with Viacom) or any other action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of Viacom under the Merger Agreement or which could result in any of the conditions to Viacom's obligations under the Merger Agreement not being fulfilled. The Stockholder acknowledges receipt and review of a copy of the Merger Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDER

The Stockholder hereby represents and warrants to Paramount as follows:

SECTION 2.01. Authority Relative to This Agreement. The Stockholder has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to

consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Stockholder and the consummation by the Stockholder of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of the Stockholder, and no other corporate proceedings on the part of the Stockholder are necessary to authorize this Agreement or to consummate such transactions. This Agreement has been duly and validly executed and delivered by the Stockholder and, assuming the due authorization, execution and delivery by Paramount, constitutes a legal, valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms.

SECTION 2.02. No Conflict. (a) The execution and delivery of this Agreement by the Stockholder do not, and the performance of this Agreement by the Stockholder shall not, (i) conflict with or violate the Certificate of Incorporation or By-Laws or equivalent organizational documents of the Stockholder, (ii) conflict with or violate any law, rule, regulation, order, judgement or decree applicable to the Stockholder or by which the Shares are bound or affected or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the Shares pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Stockholder is a party or by which the Stockholder or the Shares are bound or affected, except, in the case of clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay the performance by the Stockholder of its obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Stockholder do not, and the performance of this Agreement by the Stockholder shall not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity (as such term is defined in the Merger Agreement) except for applicable requirements, if any, of the Securities Exchange Act of 1934, as amended, and except where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay the performance by the Stockholder of its obligations under this Agreement.

SECTION 2.03. Title to the Shares. As of the date hereof, the Stockholder is the record and beneficial owner of 45,547,214 shares of Viacom Class A Common Stock. Other than 46,565,414 shares of Viacom Class B Common Stock of which the Stockholder is the record and beneficial owner, such Shares are all the securities of Viacom owned, either of record or beneficially, by the Stockholder. The Shares are owned free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on the Stockholder's voting rights, charges and other encumbrances of any nature whatsoever (other than a voting agreement entered into in connection with the merger of Blockbuster and Viacom). The Stockholder has not appointed or granted any proxy, which appointment or grant is still effective, with respect to the Shares.

ARTICLE III

COVENANTS OF THE STOCKHOLDERS

SECTION 3.01. No Inconsistent Agreements. The Stockholder hereby covenants and agrees that, except as contemplated by this Agreement and the Merger Agreement, the Stockholder shall not enter into any voting agreement or grant a proxy or power of attorney with respect to the Shares which is inconsistent with this Agreement (it being agreed that any voting agreement entered into in connection with a merger of Viacom and Blockbuster shall not be deemed to be inconsistent with this Agreement).

SECTION 3.02. Transfer of Title. The Stockholder hereby covenants and agrees that the Stockholder shall not transfer record or beneficial ownership of any of the Shares unless the transferee agrees in writing to be bound by the terms and conditions of this Agreement.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Termination. This Agreement shall terminate upon the termination of the Merger Agreement.

SECTION 4.02. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

SECTION 4.03. Entire Agreement. This Agreement constitutes the entire agreement between Paramount and the Stockholder with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between Paramount and the Stockholder with respect to the subject matter hereof.

SECTION 4.04. Amendment. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 4.05. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of 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 this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable or 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 to the fullest extent permitted by applicable law in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

SECTION 4.06. Governing Law. Except to the extent that the General Corporation Law of the State of Delaware is mandatorily applicable to the rights of the stockholders of Viacom, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

IN WITNESS WHEREOF, the Stockholder and Paramount have caused this Agreement to be duly executed on the date hereof.

NATIONAL AMUSEMENTS, INC.

By: /s/ SUMNER M. REDSTONE
.....
Name: Sumner M. Redstone
Title: Chairman of the Board,
President and
Chief Executive Officer

PARAMOUNT COMMUNICATIONS INC.

By: /s/ DONALD ORESMAN
.....
Name: Donald Oresman
Title: Executive Vice President,
Chief Administrative
Officer, General Counsel
and Secretary

ANNEX III

OPINION OF SMITH BARNEY SHEARSON INC.

SMITH BARNEY SHEARSON

February 1, 1994

The Board of Directors
VIACOM INC.
1515 Broadway
New York, NY 10036

Gentlemen:

You have requested our opinion as to the fairness, from a financial point of view, to Viacom Inc. ("Viacom") and its stockholders, of the terms of the proposed acquisition (the "Acquisition") by Viacom of Paramount Communications Inc. ("Paramount"). We understand that the Acquisition will be effected pursuant to the terms and subject to the conditions set forth in Viacom's Offer to Purchase, dated October 25, 1993, as amended and supplemented by the Supplement thereto, dated November 8, 1993, the Second Supplement thereto, dated January 7, 1994, the Third Supplement thereto, dated January 18, 1994 and the Fourth Supplement thereto, to be filed with the Securities and Exchange Commission on February 1, 1994 (as amended and supplemented, the "Offer to Purchase"). The terms of the Offer to Purchase provide for the Acquisition pursuant to a tender offer (the "Offer") by Viacom for 61,607,892 shares of common stock, par value $1.00 per share, of Paramount ("Paramount Common Stock"), or such greater number of shares as equals 50.1% of the shares outstanding on a fully diluted basis, as of the expiration of the Offer, at a price of $107.00 per share in cash, to be followed by a merger of either Paramount with and into Viacom or a new subsidiary of Viacom with and into Paramount (the "Merger"). In the event the Offer is consummated, each share of Paramount Common Stock issued and outstanding at the Effective Time, subject to adjustment as specified in the Offer to Purchase, will be converted into the right to receive (a) 0.93065 of a share of Class B common stock, par value $.01 per share, of Viacom (the "Class B Common Stock"); (b) $17.50 face amount of 5% exchangeable debentures of $50.00, of Viacom containing the principal terms described in the Offer to Purchase (the "Merger Debentures"); (iii) 0.93065 of a contingent value right issued by Viacom ("CVRs") which, as more fully described in the Offer to Purchase, entitles the holder to consideration in certain circumstances; (iv) 0.500 of a warrant issued by Viacom each of which, as more fully described in the Offer to Purchase, entitle the holder to purchase Class B Common Stock at $60.00 per share under certain circumstances (the "$60.00 Warrants"), and (v) 0.300 of a warrant issued by Viacom each of which, as more fully described in the Offer to Purchase, entitle the holder to purchase Class B Common Stock at $70.00 per share under certain circumstances (the "$70.00 Warrants") (the Merger Debentures, CVRs, $60.00 Warrants and $70.00 Warrants, together with the Class B Common Stock, being the "Viacom Securities"). The terms set forth in the preceding two sentences are referred to in this letter as the "Financial Terms of the Acquisition."

We understand further that Viacom and Blockbuster Entertainment Corporation ("Blockbuster") have entered into an Agreement and Plan of Merger (the "Blockbuster Merger Agreement") pursuant to which Blockbuster will merge with and into Viacom (the "Blockbuster Merger"). As more fully described in the Blockbuster Merger Agreement, and subject to the terms and conditions set forth therein, each share of common stock, par value $.10 per share, of Blockbuster, issued and outstanding as of the effective time of the Blockbuster Merger will be converted into the right to receive (a) 0.0800 of a share of Class A common stock, par value $.01 per share, of Viacom, (b) 0.60615 of a share of Class B

Common Stock and (c) 1.0000 variable contingent right ("VCRs") issued by Viacom which, as more fully described in the Blockbuster Merger Agreement, provides for up to a maximum of 0.13829 of a share of Class B Common Stock to be issued subsequent to the consummation of the Blockbuster Merger for each VCR held.

We further understand that the consummation of the Acquisition will not be conditioned upon the consummation of the Blockbuster Merger and may occur whether or not the Blockbuster Merger is consummated.

In arriving at our opinion, we have (i) reviewed the Offer to Purchase; (ii) reviewed the Exemption Agreement between Viacom and Paramount dated as of December 22, 1993 and the form of Agreement and Plan of Merger attached thereto; (iii) reviewed the Blockbuster Merger Agreement; (iv) met with certain senior officers of Viacom, Paramount and Blockbuster to discuss the business, operations, assets, financial condition and prospects of their respective companies; (v) examined certain publicly available business and financial forecasts and other data for each of Viacom, Paramount and Blockbuster which were provided to us by the senior management of Viacom, Paramount and Blockbuster, respectively, which are not publicly available; (vi) taken into account certain long-term strategic benefits expected to occur from each of the Acquisition and the Blockbuster Merger, both operational and financial, that were described to us by Viacom, Paramount and Blockbuster senior management; and (vii) reviewed the financial terms of the Acquisition as set forth in the Offer to Purchase and the Blockbuster Merger as set forth in the Blockbuster Merger Agreement in relation to, among other things, current and historical market prices and trading volumes of the Class B Common Stock, Paramount Common Stock and the common stock of Blockbuster; the earnings and book value per share of each of Viacom, Paramount and Blockbuster; and the capitalization and financial condition of each of Viacom, Paramount and Blockbuster. We have also considered, to the extent publicly available, the financial terms of certain other business combination transactions which we considered relevant in evaluating each of the Acquisition and the Blockbuster Merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies that we considered relevant in evaluating Viacom, Paramount and Blockbuster. We have also evaluated the pro forma financial impact of each of the Acquisition and Blockbuster Merger on Viacom. In addition to the foregoing, we have conducted such other analyses and examinations and considered such other financial, economic and market criteria as we deemed necessary in arriving at our opinion.

In arriving at our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information publicly available or furnished to or otherwise discussed with us. With respect to financial forecasts and other information provided to or otherwise discussed with us prepared by the senior managements of Viacom, Paramount and Blockbuster with respect to the expected future financial performance of Viacom, Paramount and Blockbuster, we assumed that such forecasts and other information were reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective senior managements of Viacom, Paramount and Blockbuster. We have also relied upon the views of the management of Viacom, Paramount and Blockbuster and have assumed, with your consent, that certain long-term strategic benefits, both operational and financial, will result from each of the Acquisition and the Blockbuster Merger. We express no opinion as to what the value of the Viacom Securities will be when issued to Paramount stockholders pursuant to the Merger or the price at which the Viacom Securities will trade subsequent to the Acquisition. We have not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Viacom, Paramount or Blockbuster nor have we made any physical inspection of the properties or assets of Viacom, Paramount or Blockbuster. Our opinion herein is necessarily based upon financial, stock market and other conditions and circumstances existing and disclosed to us as of the date hereof.

Smith Barney Shearson Inc. has acted as financial advisor to the Board of Directors of Viacom in connection with this transaction and will receive a fee for such services. In the ordinary course of our business, we may actively trade the equity or debt securities of Viacom, Paramount or Blockbuster for

our own account or for the account of our customers and, accordingly, may at any time hold a long or short position in such securities.

Our advisory services and the opinion expressed herein are provided solely for the use of Viacom's Board of Directors in evaluating the Acquisition and are not on behalf of, and are not intended to confer rights or remedies upon, Paramount, any stockholder of Viacom or Paramount or any person other than Viacom's Board of Directors. It is understood that this opinion letter is for the information of the Board of Directors of Viacom only, and without our prior written consent, is not to be quoted or referred to, in whole or in part, in connection with the offering or sale of securities, nor shall this letter be used for any other purpose, other than in connection with the Tender Offer Statement on Schedule 14D-1 and any amendments thereto to be filed by Viacom with the Securities and Exchange Commission in connection with the Acquisition or the Blockbuster Merger or in connection with the respective proxy statements of Blockbuster and Paramount or the proxy statement/prospectus of Viacom relating to the Acquisition or any Registration Statement of which any such proxy statement or proxy statement/prospectus forms a part.

Based upon and subject to the foregoing, our experience as investment bankers and other factors we deemed relevant, we are of the opinion that, as of the date hereof, the Financial Terms of the Acquisition are fair, from a financial point of view, to Viacom and its stockholders, whether or not the Blockbuster Merger is consummated.

Very truly yours,
/s/ SMITH BARNEY SHEARSON
.....
Smith Barney Shearson Inc.

ANNEX IV

OPINION OF LAZARD FRERES & CO.

LAZARD FRERES & CO.
One Rockefeller Plaza
New York, NY 10020

Telephone (212) 632-6000
Facsimile (212) 632-6060

NEW YORK

February 4, 1994

The Board of Directors
Paramount Communications Inc.
15 Columbus Circle
New York, NY 10023-7780

Dear Members of the Board:

You have requested our opinion, as of this date, as to the relationship from a financial point of view of the Viacom Transaction Consideration (as defined below) to the QVC Transaction Consideration (as defined below).

We understand that, as set forth in Amendment Number 34 to the Tender Offer Statement on Schedule 14D-1 filed by QVC Network, Inc. ("QVC"), Comcast Corporation and BellSouth Corporation with the Securities and Exchange Commission (the "Commission") on February 1, 1994 (the "QVC Tender Offer Statement"), QVC has amended its proposal (the "Amended QVC Proposal") to acquire Paramount Communications Inc. ("Paramount") by amending the terms of the cash tender offer (the "QVC Offer") that QVC commenced on October 27, 1993 and the terms of the consideration payable to the holders (the "Stockholders") of common stock of Paramount ("Common Stock") in the QVC Second-Step Merger (as defined below). Under the Amended QVC Proposal, (i) QVC is offering in the QVC Offer to purchase 61,657,432 shares of Common Stock, or such greater number as equals 50.1% of the outstanding shares of Common Stock (on a fully diluted basis), at a purchase price of $104.00 per share in cash, and (ii) following completion of the QVC Offer, in accordance with the form of Agreement and Plan of Merger, between QVC and Paramount (the "Form QVC Merger Agreement") that is attached to the Exemption Agreement, dated as of January 21, 1994, between QVC and Paramount, as amended on January 27, 1994 (the "QVC Exemption Agreement"), Paramount would be merged into QVC in the proposed second-step merger between QVC and Paramount (the "QVC Second-Step Merger"; collectively with the QVC Offer, the "QVC Two-Step Transaction"), and each share of Common Stock not purchased in

the QVC Offer (other than shares of Common Stock held in the treasury of Paramount or owned by Paramount or any direct or indirect wholly-owned subsidiary of Paramount or QVC or shares of Common Stock held by those Stockholders (as defined below) who exercise and perfect stockholders appraisal rights under Delaware law) would be converted into the right to receive (a) 1.2361 shares of common stock of QVC (the "QVC Common Stock"), (b) 0.2386 shares of a new series of 6% cumulative non-convertible exchangeable preferred stock of QVC (the "QVC Merger Preferred Stock") and (c) 0.32 warrants to purchase one share of QVC Common Stock at a price of $70.34 per share, exercisable at any time by the holder prior to the tenth anniversary of the QVC Second-Step Merger (the "QVC Warrants") (the aggregate consideration payable to the Stockholders pursuant to the QVC Offer set forth in clause (i) and the aggregate consideration payable to the Stockholders pursuant to the QVC Second-Step Merger set forth in subclauses (a), (b) and (c) of clause (ii) is collectively referred to as the "QVC Transaction Consideration"). We also understand that the Amended QVC Proposal provides that the QVC Merger Preferred Stock will pay cumulative quarterly dividends at a rate of $3.00 per annum per share, will have a liquidation preference of $50.00 per share, will be redeemable for cash by QVC at declining redemption premiums on and after the fifth anniversary of the QVC Second-Step Merger and will be exchangeable by QVC into QVC's 6% subordinated debentures (the "QVC Debentures") at an exchange rate of $50.00 principal amount of QVC Debenture per share of QVC Merger Preferred Stock on and after the third anniversary of the QVC Second-Step Merger. In addition, we understand that the QVC Warrants will be exercisable with cash or by using an equivalent amount of liquidation preference of QVC Merger Preferred Stock or principal amount of QVC Debentures and will be redeemable for cash by QVC, at its option, at $15.00 per QVC Warrant on and after the fifth anniversary of the QVC Second-Step Merger.

In addition, we understand that, as set forth in (i) the written proposal submitted to Paramount by Viacom Inc. ("Viacom") on February 1, 1994 and (ii) Amendment Number 35 to the Tender Offer Statement on Schedule 14D-1 filed by Viacom, National Amusements, Inc., Mr. Sumner M. Redstone and Blockbuster Entertainment Corporation ("Blockbuster") with the Commission on February 1, 1994 (the "Viacom Tender Offer Statement") (collectively, the "Amended Viacom Proposal"), Viacom did not amend the terms of the cash tender offer (the "Viacom Offer") that it had commenced on October 25, 1993, but amended the terms of the consideration payable to the

Stockholders in the proposed Viacom Second-Step Merger (as defined below). Under the Amended Viacom Proposal, (a) Viacom is continuing to offer in the Viacom Offer to purchase 61,657,432 shares of Common Stock, or such greater number as equals 50.1% of the outstanding shares of Common Stock (on a fully diluted basis), at a purchase price of $107.00 per share in cash, and (b) following completion of the Viacom Offer, in accordance with the Agreement and Plan of Merger, between Viacom and Paramount, dated as of January 21, 1994, as amended on January 27, 1994 and as proposed to be amended to reflect the Amended Viacom Proposal (the "Viacom Merger Agreement"), Paramount would be merged into Viacom in the proposed second-step merger between Viacom and Paramount (the "Viacom Second-Step Merger"; collectively with the Viacom Offer, the " Viacom Two-Step Transaction"), and each share of Common Stock not purchased in the Viacom Offer (other than shares of Common Stock held in the treasury of Paramount or owned by Paramount or any direct or indirect wholly-owned subsidiary of Paramount or Viacom or shares of Common Stock held by those Stockholders who exercise and perfect stockholders appraisal rights under Delaware law) would be converted into the right to receive (1) 0.93065 shares of Class B common stock of Viacom (the "Viacom Class B Common Stock"), (2) $17.50 principal amount of 8% exchangeable subordinated debentures of Viacom (the "Viacom Exchangeable Debentures"), (3) 0.5 warrants to purchase one share of Viacom Class B Common Stock at a price of $60.00 per share, exercisable at any time by the holder prior to the third anniversary of the Viacom Second-Step Merger, (4) 0.3 warrants to purchase one share of Viacom Class B Common Stock at a price of $70.00 per share, exercisable at any time by the holder prior to the fifth anniversary of the Viacom Second-Step Merger (the "Viacom Five Year Warrants") and (5) 0.93065 contingent value rights of Viacom (the "Viacom CVRs") having the terms described below (the aggregate consideration payable to Stockholders pursuant to the Viacom Offer set forth in clause (a) and the aggregate consideration payable to Stockholders pursuant to the Viacom Second- Step Merger set forth in subclauses (1), (2), (3), (4) and (5) of clause (b) is collectively referred to as the "Viacom Transaction Consideration"). In addition, we understand that the Amended Viacom Proposal provides that the Viacom Exchangeable Debentures will mature on the twelfth anniversary of the Viacom Second-Step Merger, will pay interest semi-annually beginning on January 1, 1995 and will be non-callable until the fifth anniversary of the Viacom Second-Step Merger, and thereafter may be redeemed for cash by Viacom at declining redemption premiums. The Amended Viacom Proposal also provides that Viacom will have the option to exchange at par the Viacom

Exchangeable Debentures for the equivalent liquidation preference of a new series of Viacom 5% cumulative exchangeable (non-convertible) preferred stock (the "Viacom Merger Preferred Stock") if the proposed merger between Viacom and Blockbuster contemplated by the Agreement and Plan of Merger, dated as of January 7, 1994, between Blockbuster and Viacom (the "Blockbuster Merger Agreement") has not been consummated by January 1, 1995, or earlier, if beneficial ownership of a majority of the outstanding shares of common stock of Blockbuster (the "Blockbuster Common Stock") has been acquired by a third party prior to January 1, 1995. The Amended Viacom Proposal further provides that the Viacom Merger Preferred Stock will be non-callable until the fifth anniversary of the Viacom Second-Step Merger, and thereafter, may be redeemed by Viacom for cash at declining redemption premiums and will have a liquidation preference of $50.00 per share. In addition, the Viacom Merger Preferred Stock will be exchangeable into Viacom's 5% subordinated debentures (the "Viacom Subordinated Debentures") after the third anniversary of the Viacom Second-Step Merger at an exchange rate of $50.00 principal amount of Viacom Subordinated Debentures for each share of Viacom Merger Preferred Stock. Moreover, the dividend rate on the Viacom Merger Preferred Stock and the interest rate on the Viacom Subordinated Debentures will increase to 10% per annum on the tenth anniversary of the Viacom Second-Step Merger, if not previously redeemed by Viacom. We further understand that the Amended Viacom Proposal provides that the Viacom Five Year Warrants will be exercisable with cash or by using an equivalent liquidation preference of Viacom Merger Preferred Stock or principal amount of Viacom Subordinated Debentures. We also understand that the Amended Viacom Proposal provides that each Viacom CVR will represent the right on the first anniversary of the Viacom Second-Step Merger to receive in cash or securities, at Viacom's election, the amount by which the Average Trading Value (as defined in the Amended Viacom Proposal and as described below) of Viacom Class B Common Stock is less than a minimum price of $48.00 per share of Viacom Class B Common Stock, and Viacom will have the right, in its sole discretion, to extend the payment measurement dates of the Viacom CVR by one year, in which case the minimum price will increase to $51.00 per share of Viacom Class B Common Stock, and a further one year extension right which, if exercised, would increase the minimum price to $55.00 per share of Viacom Class B Common Stock. As used in the Amended Viacom Proposal, the "Average Trading Value" will be based upon the market prices of Viacom Class B Common Stock during the 60 trading days ending on the last day of the relevant period and is subject to a floor of $36.00 per share of Viacom Class B Common Stock on the first anniversary of the Viacom Second-Step Merger, a floor of $37.00 per share of Viacom Class B Common

Stock on the second anniversary of the Viacom Second-Step Merger and a floor of $38.00 per share of Viacom Class B Common Stock on the third anniversary of the Viacom Second-Step Merger.

Lazard Freres & Co. has from time to time acted as financial advisor to Paramount and has acted as its financial advisor in connection with proposed QVC Two-Step Transaction and proposed Viacom Two-Step Transaction. As you know, a General Partner of our firm is a member of Paramount's Board of Directors. In addition, we have from time to time in the past provided, and we are currently providing, in matters unrelated to Paramount, financial advisory or financing services to one or more of the respective equity investors in Viacom and QVC, or persons engaged in pending transactions with one or more of such investors, and we have received, or expect to receive, fees for the rendering of such services. In connection with our opinions set forth in this letter, we have, among other things:

(i) reviewed the terms and conditions of (a) the Amended QVC Proposal, the QVC Tender Offer Statement, and the QVC Exemption Agreement (including the Form QVC Merger Agreement attached thereto) and (b) the Amended Viacom Proposal, the Viacom Tender Offer Statement and the Viacom Merger Agreement (including the form Exemption Agreement between Viacom and Paramount attached thereto);

(ii) reviewed the terms and conditions of the Blockbuster Merger Agreement and the Subscription Agreement, dated January 7, 1994, between Viacom and Blockbuster, analyzed the Amended Viacom Proposal both with and without giving effect to the consummation of the proposed merger between Viacom and Blockbuster contemplated by the Blockbuster Merger Agreement and observed that the proposed merger between Viacom and Blockbuster is subject to the approval of the stockholders of Blockbuster;

(iii) analyzed certain historical business and financial information relating to Paramount, Viacom, QVC and Blockbuster, including (a) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Paramount for each of the fiscal years ended October 31, 1988 through 1992, the Transition Report on Form 10-K of Paramount for the period from November 1, 1992 through April 30, 1993 and Quarterly Reports on Form 10-Q of Paramount for the quarters ended January 31, April 30, and July 31 for each of the same fiscal years and for the quarters ended

January 31, April 30, July 31 and October 31, 1993, (b) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Viacom for each of the fiscal years ended December 31, 1988 through 1992, and Quarterly Reports on Form 10-Q of Viacom for the quarters ended March 31, June 30 and September 30 for each of the same fiscal years, and for the quarters ended March 31, June 30, and September 30, 1993, (c) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of QVC for each of the fiscal years ended January 31, 1989 through 1993, and Quarterly Reports on Form 10-Q of QVC for the quarters ended April 30, July 31 and October 31 for each of the same fiscal years, and for the quarters ended April 30, July 31 and October 31, 1993 and (d) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Blockbuster for each of the fiscal years ended December 31, 1988 through 1992, and Quarterly Reports on Form 10-Q of Blockbuster for the quarters ended March 31, June 30 and September 30 for each of the same fiscal years, and for the quarters ended March 31, June 30, and September 30, 1993;

(iv) reviewed certain financial forecasts and other data provided to us by Paramount, Viacom, QVC and Blockbuster relating to their respective businesses (except in the case of Paramount, financial forecasts for the current fiscal year only, having been advised that Paramount has not prepared projections beyond the current fiscal year);

(v) conducted discussions with members of the senior management of Paramount, Viacom, QVC and Blockbuster with respect to the business and prospects of Paramount, Viacom, QVC and Blockbuster and the strategic objectives of each;

(vi) reviewed public information with respect to certain other companies in lines of businesses we believe to be comparable to the businesses of Paramount, Viacom, QVC and Blockbuster;

(vii) reviewed the financial terms of certain business combinations involving companies in lines of business we believe to be comparable to those of Paramount, Viacom, QVC and Blockbuster, and in other industries generally;

(viii) reviewed the historical stock prices and trading volumes of the Common Stock, Viacom Class B

Common Stock, QVC Common Stock and Blockbuster Common Stock;

(ix) reviewed the procedures for bidding set forth in the Viacom Merger Agreement and the QVC Exemption Agreement, in particular noting the respective provisions therein providing for the extension of the QVC Offer or the Viacom Offer, as applicable, for 10 business days upon delivery of a Completion Certificate (referred to in the Viacom Merger Agreement or the QVC Exemption Agreement, as applicable) by Viacom or QVC, as applicable; and

(x) conducted such other financial studies, analyses and investigations as we deemed appropriate.

We have assumed and relied upon the accuracy and completeness of the financial and other information provided by Paramount, Viacom, QVC and Blockbuster to us, and on the representations contained in the Viacom Merger Agreement and the Form QVC Merger Agreement, and we have not undertaken any independent verification of such information or any independent valuation or appraisal of any of the assets of Paramount, Viacom, QVC or Blockbuster. With respect to the financial forecasts referred to above, we have assumed that they have been reasonably prepared on a basis reflecting the best currently available judgments of the managements of Paramount, Viacom, QVC or Blockbuster as to the future financial performance of Paramount, Viacom, QVC and Blockbuster, respectively. In addition, we have assumed that the Amended Viacom Proposal and the Amended QVC Proposal, were made in compliance with the terms and conditions of the Viacom Merger Agreement and the QVC Exemption Agreement, respectively. Further, our opinions are based on economic, monetary and market conditions existing on this date.

We have not reviewed any proxy statement or similar document that may be prepared for use in connection with the proposed QVC Two-Step Transaction or the proposed Viacom Two-Step Transaction. In accordance with the Procedures for Submissions of Proposals (the "Bidding Procedures") established by Paramount's Board of Directors on December 13, 1993, Paramount's Board of Directors has authorized us to respond to inquiries with respect to Paramount from prospective bidders (in addition to QVC and Viacom) and to receive proposals from additional bidders, if any. We have not, however, solicited third party indications of interest in acquiring all or any part of Paramount.

As part of our analysis, we have continued to evaluate the transactions, as we have in the past, not only on the basis of current market values but also applying other financial valuation methodologies generally applicable to transactions of this type. These financial valuation methodologies, which are subject to certain limitations as applied to these prospective combinations, including the lack of projections for Paramount beyond the current fiscal year and the difficulties in quantifying synergies and revenue enhancements resulting from the combinations, generally favor in varying degrees the Viacom Transaction Consideration from a financial point of view. On the basis of recent market values, the QVC Transaction Consideration has had a somewhat higher market valuation than the Viacom Transaction Consideration; in this connection, we observe the high volatility of Viacom Class B Common Stock and QVC Common Stock and that the market prices of the stocks seem to be impacted by the perception of the market-place as to whether QVC or Viacom would be the ultimate acquiror of Paramount.

We observe the express preference of Paramount's Board of Directors in the Bidding Procedures for cash and securities readily susceptible to valuation, such as securities with a fixed income stream, with a liquidation preference, or in the case of equity securities, securities which enjoy the benefits of a wide collar or other value assurance mechanism. In this regard, we note that there is a greater percentage of cash and fixed income securities as components of the Viacom Transaction Consideration than the QVC Transaction Consideration, although the magnitude of the difference in the respective percentages between the two current bids has decreased in comparison to the most recent previous bids submitted by Viacom and QVC. We further note the offering of the Viacom CVRs in the Amended Viacom Proposal.

Our engagement and the opinions expressed herein are solely for the benefit of Paramount's Board of Directors and are not on behalf of, and are not intended to confer rights or remedies upon, Viacom, QVC, Blockbuster, any stockholders of Paramount, Viacom, QVC or Blockbuster or any other person other than Paramount's Board of Directors.

In reaching our opinions expressed herein, we have taken into account various factors, including our assessment of the probability of consummation of the proposed merger between Viacom and Blockbuster contemplated by the Blockbuster Merger Agreement under the circumstances existing on the date of this letter and that, given the terms and conditions of the proposed QVC Two-Step Transaction and the proposed Viacom Two-Step Transaction and the limitations of the financial valuation

methodologies referred to above, we continue to view as a favorable factor an offer that contains a greater percentage of cash and securities readily susceptible to valuation. Based on and subject to the foregoing and such other factors as we deemed relevant, including our assessment of economic, monetary and market conditions existing on the date of this letter, we are of the opinion that, as of this date, (i) the QVC Transaction Consideration is fair to the Stockholders from a financial point of view (ii) the Viacom Transaction Consideration is fair to the Stockholders from a financial point of view and (iii) the Viacom Transaction Consideration is marginally superior to the QVC Transaction Consideration from a financial point of view.

Very truly yours,

/s/ Lazard Freres & Co.

ANNEX V

EXCERPT FROM THE DELAWARE GENERAL CORPORATION LAW RELATING TO DISSENTERS' RIGHTS

GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

Sec. 262. Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to the provisions of subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with the provisions of subsection (d) of this Section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to 228 of this Chapter shall be entitled to an appraisal by the Court of Chancery of the fair value of his shares of stock under the circumstances described in subsections (b) and (c) of this Section. As used in this Section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a non-stock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a non-stock corporation.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to Sections 251, 252, 254, 257, 258, 263 or 264 of this Chapter:

(1) Provided, however, that no appraisal rights under this Section shall be available for the shares of any class or series of stock which, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 stockholders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of Section 251 of this Chapter.

(2) Notwithstanding the provisions of subsection (b)(1) of this Section, appraisal rights under this Sectionshall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to Sections 251, 252, 254, 257, 258, 263 and 264 of this Chapter to accept for such stock anythingexcept: (i) shares of stock of the corporation surviving or resulting from such merger or consolidation; (ii) shares of stock of any other corporation which at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 stockholders; (iii) cash in lieu of fractional shares of the corporations described in the foregoing clauses (i) and (ii); or (iv) any combination of the shares of stock and cash in lieu of fractional shares described in the foregoing clauses (i), (ii) and (iii) of this subsection.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under Section 253 of this Chapter is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this Section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this Section, including those set forth in subsections (d) and (e), shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this Section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsections (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this Section. Each stockholder electing to demand the appraisal of his shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with the provisions of this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to Section 228 or Section 253 of this Chapter, the surviving or resulting corporation, either before the effective date of the merger or consolidation or within 10 days thereafter, shall notify each of the stockholders entitled to appraisal rights of the effective date of the merger or consolidation and that appraisal rights are available for any or all of the shares of the constituent corporation, and shall include in such notice a copy of this Section. The notice shall be sent by certified or registered mail, return receipt requested, addressed to the stockholder at his address as it appears on the records of the corporation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of the notice, demand in writing from the surviving or resulting corporation the appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with the provisions of subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw his demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after his written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the

time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by one or more publications at least one week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with the provisions of this Section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this Section and who has submitted his certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that he is not entitled to appraisal rights under this Section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and in the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any other state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all of the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded his appraisal rights as provided in subsection (d) of this Section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this Section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of his demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this Section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder

without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation into which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

ANNEX VI

FORM OF CERTIFICATE OF MERGER FOR THE PARAMOUNT MERGER

CERTIFICATE OF MERGER
MERGING
VIACOM SUB INC.
WITH AND INTO
PARAMOUNT COMMUNICATIONS INC.
PURSUANT TO SECTION 251 OF THE
DELAWARE GENERAL CORPORATION LAW

The undersigned, being the [Title] of Paramount Communications Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware ("Paramount"), DOES HEREBY CERTIFY AS FOLLOWS:

FIRST: That the name of and the state of incorporation of each of the constituent corporations in the merger is as follows:

NAME	STATE OF INCORPORATION
Viacom Sub Inc.	Delaware
Paramount Communications Inc.	Delaware

SECOND: That an Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994 (the "Merger Agreement"), among Paramount, Viacom Sub Inc. (the "Merger Subsidiary") and Viacom Inc. has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with Section 251 of the General Corporation Law of the State of Delaware.

THIRD: That Paramount shall be the surviving corporation (the "Surviving Corporation").

FOURTH: The Restated Certificate of Incorporation of Paramount will be amended in its entirety to read as the Restated Certificate of Incorporation attached hereto as Exhibit A.

FIFTH: That an executed copy of the Merger Agreement is on file at the principal place of business of the Surviving Corporation at the following address:

15 Columbus Circle
New York, New York 10023

SIXTH: That a copy of the Merger Agreement will be furnished by the Surviving Corporation, on request, and without cost, to any stockholder of any constituent corporation.

IN WITNESS WHEREOF, Paramount has caused this Certificate of Merger to be signed by , its [Title of Officer], and attested by , its [Assistant] Secretary, this day of [ ], 19 .

PARAMOUNT COMMUNICATIONS INC.

By:
.....

Title:

ATTEST:

.....

[Assistant] Secretary

EXHIBIT A

RESTATED
CERTIFICATE OF INCORPORATION
OF
PARAMOUNT COMMUNICATIONS INC.

FIRST: The name of the Corporation (hereinafter called the "Corporation") is

PARAMOUNT COMMUNICATIONS INC.

SECOND: The address, including street, number, city, and county, of the registered office of the Corporation in the State of Delaware is ; and the name of the registered agent of the Corporation in the State of Delaware is .

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which Corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is Two Hundred (200), all of which are without par value. All such shares are of one class and are shares of Common Stock.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

SEVENTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided:

1. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the By-Laws. The phrase "whole Board" and the phrase "total number of directors" shall be deemed to have the same meaning, to wit, the total number of directors which the Corporation would have if there were no vacancies. No election of directors need be by written ballot.

2. After the original or other By-Laws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, and, after the Corporation has received any payment for any of its stock, the power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised by the Board of Directors of the Corporation; provided, however, that any provision for the classification of directors of the Corporation for staggered terms pursuant to the provisions of subsection (d) of Section 141 of the General Corporation Law of the State of Delaware shall be set forth in an initial By-Law or in a By-Law adopted by the stockholders entitled to vote of the

Corporation unless provisions for such classification shall be set forth in this certificate of incorporation.

3. Whenever the Corporation shall be authorized to issue only one class of stock, each outstanding share shall entitle the holder thereof to notice of, and the right to vote at, any meeting of stockholders. Whenever the Corporation shall be authorized to issue more than one class of stock, no outstanding share of any class of stock which is denied voting power under the provisions of the certificate of incorporation shall entitle the holder thereof to the right to vote at any meeting of stockholders except as the provisions of paragraph (2) of subsection (b) of Section 242 of the General Corporation Law of the State of Delaware shall otherwise require; provided, that no share of any such class which is otherwise denied voting power shall entitle the holder thereof to vote upon the increase or decrease in the number of authorized shares of said class.

EIGHTH: The personal liability of the directors of the Corporation is hereby eliminated to the fullest extent permitted by the provisions of paragraph (7) of subsection (b) of Section 102 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented.

NINTH: (1) Action Not By or on Behalf of Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent (including trustee) of another corporation, partnership, joint venture, trust or other enterprise, against judgements and amounts paid in settlement and expenses (including attorneys, fees), actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(2) Action By or on Behalf of Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability and in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

(3) Successful Defense. To the extent that a Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2 of this Article Ninth, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(4) Determination of Right to Indemnification in Certain Circumstances. Any indemnification under Section 1 or 2 of this Article Ninth (unless ordered by a court) shall be made by the Corporation

only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in this Article. Such determination shall be made by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or if such a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or by the stockholders of the Corporation entitled to vote thereon.

(5) Advance Payment of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of a Director or officer, to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

(6) Not Exclusive. The indemnification and advancement of expenses provided by, or granted pursuant to, the other sections of this Article Ninth shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Without limiting the foregoing, the Corporation is authorized to enter into an agreement with any Director, officer, employee or agent of the Corporation providing indemnification for such person against expenses, including attorneys' fees, judgements, fines and amounts paid in settlement that result from any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including any action by or in the right of the Corporation, that arises by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the full extent allowed by law, except that no such agreement shall provide for indemnification for any actions that constitute fraud, actual dishonesty or willful misconduct.

(7) Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article Ninth.

(8) Certain Definitions. For the purposes of this Article Ninth, (A) any Director, officer, employee or agent of the Corporation who shall serve as a director, officer, employee or agent of any other corporation, joint venture, trust or other enterprise of which the Corporation, directly or indirectly, is or was a stockholder or creditor, or in which the Corporation is or was in any way interested, or (B) any director, officer, employee or agent of any subsidiary corporation, joint venture, trust or other enterprise wholly owned by the Corporation, shall be deemed to be serving as such director, officer, employee or agent at the request of the Corporation, unless the Board of Directors of the Corporation shall determine otherwise. In all other instances where any person shall serve as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise of which the Corporation is or was a stockholder or creditor, or in which it is or was otherwise interested, if it is not otherwise established that such person is or was serving as such director, officer, employee or agent at the request of the Corporation, the Board of Directors of the Corporation may determine whether such service is or was at the request of the Corporation, and it shall not be necessary to show any actual or prior request for such service. For purposes of this Article Ninth, references to a corporation include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a

director, officer, employee or agent of another corporation, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article Ninth with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity. For purposes of this Article Ninth, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to this Article Ninth.

(9) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article Ninth shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

TENTH: From time to time any of the provisions of this certificate of incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this certificate of incorporation are granted subject to the provisions of this Article TENTH.

FORM OF CERTIFICATE OF AMENDMENT

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
VIACOM INC.
PURSUANT TO SECTION 242 OF THE
DELAWARE GENERAL CORPORATION LAW

The undersigned, being the [Title] of Viacom Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware ("Viacom"), DOES HEREBY CERTIFY AS FOLLOWS:

FIRST: At a meeting of the Board of Directors of Viacom duly called and held on May 26, 1994, resolutions were duly adopted setting forth proposed amendments (which are set forth herein in Articles SECOND and THIRD) to the Restated Certificate of Incorporation of Viacom, declaring such amendments to be advisable and directing that such amendments be submitted to the stockholders of Viacom for approval at the Special Meeting of Stockholders to be held on
.

SECOND: That Section 1(a) of Article IV of the Restated Certificate of Incorporation of Viacom be, and the same hereby is, amended in full to read as follows:

"(a) The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 1,400,000,000. The classes and the aggregate number of shares of stock of each class which the Corporation shall have authority to issue are as follows:

(i) 200,000,000 shares of Class A Common Stock, $0.01 par value ("Class A Common Stock").

(ii) 1,000,000,000 shares of Class B Common Stock, $0.01 par value ("Class B Common Stock").

(iii) 200,000,000 shares of Preferred Stock, $0.01 par value ("Preferred Stock")."

THIRD: That the first sentence of Section (2) of Article V of the Restated Certificate of Incorporation of Viacom be, and the same hereby is, amended by deleting the number "twelve" and replacing such number with the number "twenty".

FOURTH: That such amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this Certificate has been executed by , [Title of Officer] of Viacom, and attested by , [Assistant] Secretary of Viacom, this day of , 1994.

VIACOM INC.

By:
.....

Title:

ATTEST:

.....

[Assistant] Secretary

VIACOM INC.
SENIOR EXECUTIVE
SHORT-TERM INCENTIVE PLAN

ARTICLE I

GENERAL

SECTION 1.1 Purpose. The purpose of the Viacom Inc. Senior Executive Short-Term Incentive Plan (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), by rewarding selected senior executive officers of the Company and its subsidiaries for their contributions to the Company's financial success and thereby motivate them to continue to make such contributions in the future by granting annual performance-based awards ("Awards").

SECTION 1.2 Administration of the Plan. The Plan shall be administered by a committee ("Committee") which shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. The Committee shall be the Compensation Committee of the Company's Board of Directors ("Board") (or such other Committee as may be appointed by the Board) except that (i) the number of directors on the Committee shall not be less than three (3) and (ii) each member of the Committee shall be an "outside director" within the meaning of Section 162(m)(4)of the Internal Revenue Code of 1986, as amended (the "Code"). 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 determine the terms and conditions of the Awards granted to eligible persons specified in Section 1.3 below ("Participants").

SECTION 1.3 Eligible Persons. Awards may be granted only to employees of the Company or one of its subsidiaries who are at the level of Senior Vice President of the Company or at a more senior level. An individual shall not be deemed an employee for purposes of the Plan unless such individual receives compensation from either the Company or one of its subsidiaries for services performed as an employee of the Company or any of its subsidiaries.

ARTICLE II

AWARDS

SECTION 2.1 Awards. The Committee may grant Awards to eligible employees with respect to each fiscal year of the Company, subject to the terms and conditions set forth in the Plan.

SECTION 2.2 Terms of Awards. Prior to the commencement of each fiscal year of the Company (or by March 31, 1994, in the case of the fiscal year ending December 31, 1994), the Committee shall establish (i) performance goals and objectives ("Performance Targets") for the Company and the subsidiaries and divisions thereof for such fiscal year ("Performance Period") and (ii) target awards ("Target Awards") for each Participant which shall be a percentage of the Participant's salary (as

defined in Section 2.3 below). Such Performance Targets shall relate to the achievement of annual financial goals based on the attainment of specified levels of Operating Income and/or Cash Flow (as such terms are defined below) for the Company and the subsidiaries and divisions thereof. With respect to the Viacom Cable Division, the Performance Targets shall also relate to the achievement of annual goals based on the attainment of specified levels of Customer Months and Ancillary Revenues (as such terms are defined below). For purposes of the Plan, "Operating Income" shall mean revenues less operating expenses (other than depreciation and amortization) and "Cash Flow" shall mean Operating Income less cash capital expenditures and increases or decreases in working capital and in other balance sheet investments. "Customer Months" shall mean the number of months for which Viacom Cable Division customers were billed for services other than premium, pay-per-view and ancillary services. "Net Ancillary Revenues" shall mean revenues from premium, pay-per-view and ancillary services less operating costs.

SECTION 2.3 Limitation on Awards. The aggregate amount of all Awards to any Participant for any Performance Period shall not exceed the amount determined by multiplying such Participant's Salary by a factor of six (6). For purposes of the Plan, "Salary" shall mean the base salary of the Participant on March 31, 1994 or, in the case of a Participant hired after March 31, 1994, such Participant's base salary on the date of hire.

SECTION 2.4 Determination of Award. The Committee shall, promptly after the date on which the necessary financial or other information for a particular Performance Period becomes available, certify whether the Performance Targets have been achieved in the manner required by Section 162(m) of the Code. If the Performance Targets have been achieved, the Awards for such Performance Period shall have been earned except that the Committee may, in its sole discretion, reduce the amount of any Award to reflect the Committee's assessment of the Participant's individual performance or for any other reason. Subject to Section 2.5, such Awards shall become payable in cash as promptly as practicable thereafter.

SECTION 2.5 Employment Requirement. To be eligible to receive payment of an Award, the Participant must have remained in the continuous employ of the Company or its subsidiaries through the end of the applicable Performance Period. If the Company or any subsidiary terminates a Participant's employment other than for "cause" or a Participant becomes "permanently disabled" (in each case, as determined by the Committee in its sole discretion) or a Participant dies during a Performance Period, such Participant or his estate shall be awarded, unless his employment contract provides otherwise, a pro rata portion of the amount of the Award for such Performance Period except that the Committee may, in its sole discretion, reduce the amount of such Award to reflect the Committee's assessment of such Participant's individual performance prior to the termination of such Participant's employment, such Participant's becoming permanently disabled or such Participant's death, as the case may be, or for any other reason.

ARTICLE III

ADJUSTMENT OF AWARDS

In the event that, during a Performance Period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event, or any extraordinary event, or any other event which distorts the applicable performance criteria occurs involving the Company or a subsidiary or division thereof, the Committee shall adjust or modify, as determined by the Committee in its sole and absolute discretion, the calculation of Operating Income and/or Cash Flow, or the applicable Performance Targets, to the extent necessary to prevent reduction or enlargement of Participants' Awards under the Plan for such Performance Period attributable to such transaction or event. Such adjustments shall be conclusive and binding for all purposes.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 No Rights to Awards or Continued Employment. No employee shall have any claim or right to receive Awards 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 4.2 Restriction on Transfer. The rights of a Participant with respect to Awards under the Plan shall not be transferable by the Participant to whom such Award is granted, otherwise than by will or the laws of descent and distribution.

SECTION 4.3 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 or beneficiaries any Federal, state or local taxes required by law to be withheld with respect to such payments.

SECTION 4.4 No Restriction on Right of Company to Effect Changes. The Plan shall not affect in any way the right or power of the Company or its shareholders to make or authorize any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event involving the Company or a subsidiary or division thereof or any other event or series of events, whether of a similar character or otherwise.

SECTION 4.5 Source of Payments. 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. 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.

SECTION 4.6 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. No termination or amendment of the Plan may, without the consent of the Participant to whom an Award has been made, adversely affect the rights of such Participant in such Award.

SECTION 4.7 Governmental Regulations. The Plan, and all Awards hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

SECTION 4.8 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 4.9 Governing Law. The Plan and all rights and Awards hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

SECTION 4.10 Effective Date. The Plan shall be effective as of January 1, 1994; provided, however, that it shall be a condition to the effectiveness of the Plan, and any Awards hereunder, that the shareholders of the Company approve the adoption of the Plan at the 1994 Annual Meeting of Shareholders. Such approval shall meet the requirements of Section 162(m) of the Code and the regulations thereunder. If such approval is not obtained, then the Plan and any Award hereunder shall be void ab initio.

VIACOM INC.
1994 LONG-TERM MANAGEMENT INCENTIVE PLAN

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 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 three and (ii) each member of the Committee shall be a "disinterested person" 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 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 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 or 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 shareholders 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 shareholder 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.

VIACOM INC.
STOCK OPTION PLAN
FOR OUTSIDE
DIRECTORS

ARTICLE I

GENERAL

SECTION 1.1 Purpose. The purpose of the Viacom Inc. Stock Option Plan for Outside Directors (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), and its subsidiaries by obtaining and retaining the services of qualified persons who are not employees of the Company or its subsidiaries to serve as directors and to induce them to make a maximum contribution to the success of the Company and its subsidiaries.

SECTION 1.2 Definitions. As used in the Plan, the following terms shall have the following meanings:

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

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

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

(d) "Date of Grant" shall mean May 25, 1993, for each person who is an Outside Director on such date, and, for each person who becomes an Outside Director for the first time after such date, the date of such individual's election or appointment to the Board.

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

(f) "Effective Date" of the Plan shall be May 25, 1993.

(g) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the average closing price of a share of Class B Common Stock on the American Stock Exchange or such other national securities exchange as may be designated by the Board 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 price per share of 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 Class B Common Stock as furnished by a professional marketmaker making a market in the Class B Common Stock designated by the Board.

(h) "Grant" shall mean a grant of Stock Options under the Plan.

(i) "LTMIP" shall mean the Company's 1989 Long-Term Management Incentive Plan and/or any successor to such Plan, as applicable.

(j) "Non-Qualified Stock Options" shall mean Stock Options which do not meet the requirements of Section 422 of the Code.

(k) "Outside Director" shall mean any member of the Board of Directors of the Company who is not an employee of the Company, Viacom International Inc., National Amusements, Inc. or any of their respective 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.

(l) "Outstanding Stock Option" shall mean a Stock Option granted to an Outside Director which has not yet been exercised and which has not yet expired in accordance with its terms.

(m) "Stock Option" shall mean a contractual right granted to an Outside Director under the Plan to purchase a share of Class B Common Stock at such time and price, and subject to the terms and conditions, as are set forth in the Plan.

(n) To "vest" a Stock Option held by an Outside Director shall mean to render such Stock Option nonforfeitable.

SECTION 1.3 Administration of the Plan. The Plan shall be administered by the members of the Board who are not Outside Directors. All questions of interpretation, administration and application of the Plan shall be determined by the Board. The Board may authorize any officer of the Company to execute and deliver a stock option certificate on behalf of the Company to an Outside Director.

SECTION 1.4 Class B Common Stock Subject to the Plan. The total number of shares of Class B Common Stock that shall be reserved for distribution upon grant of Stock Options under the Plan shall be 100,000, subject to adjustment pursuant to Section 4.2 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, as shall be determined by the Board. Exercise of Stock Options in any manner shall result in a decrease in the number of shares of Class B Common Stock which thereafter may be issued for purposes of this Section 1.4, by the number of shares as to which the Stock Options are exercised. Shares of Class B Common Stock with respect to which Stock Options expire, are cancelled without being exercised or are otherwise terminated, may be regranted under the Plan.

ARTICLE II

GRANTS OF STOCK OPTIONS

On May 25, 1993, each person who is an Outside Director on such date shall be granted Non-Qualified Stock Options to purchase 5,000 shares of Class B Common Stock at an option price per share equal to the Fair Market Value of a share of Class B Common Stock on May 25, 1993 (the "Date of Grant" of such Stock Options), on the terms and conditions set forth in the Plan. Thereafter, each person who becomes an Outside Director for the first time after such date shall be granted Non-Qualified Stock Options to purchase 5,000 shares of Class B Common Stock, effective as of the date of such individual's election or appointment to the Board (the "Date of Grant" of such Stock Options), at an option price per share equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant, on the terms and conditions set forth in the Plan. The exercise price of the Stock Options granted under the Plan shall be subject to adjustment in accordance with the provisions of Section 4.2 of the Plan. The terms and conditions of a Grant of Stock Options shall be set forth in an option certificate which shall be delivered to the Outside Director reasonably promptly following the Date of Grant of such Stock Options.

ARTICLE III

TERMS AND CONDITIONS OF STOCK OPTIONS

SECTION 3.1 Exercise of Stock Options.

(a) Exercisability. Stock Options shall be exercisable only to the extent the Outside Director is vested therein. Each Grant of Stock Options under the Plan shall vest on the first anniversary of the Date of Grant of such Stock Options.

(b) Option Period.

(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. Any attempt to exercise a Stock Option or to transfer any share issued upon exercise of a Stock Option by any Outside Director 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 have been duly qualified under applicable Federal or state securities or blue sky laws or (B) the Board, in its sole discretion, determines, or the Outside Director, upon the request of the Board, provides an opinion of counsel satisfactory to the Board, that such registration or qualification is not required as a result of the availability of any exemption from registration or qualification under such laws. Without limiting the foregoing, if at any time the Board shall determine, in its sole discretion, that the listing, registration or qualification of the shares of Class B Common Stock under any Federal or state law or on any securities exchange or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, delivery or purchase of such shares pursuant to the exercise of a Stock Option, such Stock Option shall not be exercised in whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

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

(i) Termination other than for Death or Disability. If the services of an Outside Director as a Director of the Company terminate for any reason other than for death or disability, the Outside Director may exercise any Outstanding Stock Options only within one year after the termination date, but only to the extent such Outstanding Stock Options were vested on the date of such Outside Director's termination. Upon a termination described in this Section 3.1(c)(i), the Outside Director shall relinquish all rights with respect to Stock Options that are not vested as of such termination date.

(ii) Death. If an Outside Director dies within a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options may be exercised only within one year after his death, but only to the extent such Outstanding Stock Options were vested on the date of death, by any person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution.

(iii) Permanent Disability. If the services of an Outside Director as a Director of the Company terminate by reason of permanent disability, he may exercise his Outstanding Stock Options only within one year after the termination of his services, but only to the extent such Outstanding Stock Options were vested when his services terminated.

SECTION 3.2 Payment of Purchase Price Upon Exercise. Every share of Class B Common Stock purchased through the exercise of a Stock Option shall be paid for in full at the time of exercise in cash (e.g., personal bank check, certified check or official bank check). In addition, the Outside Director shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined Federal, state and local withholding tax obligations which arise in connection with the exercise of such Stock Options.

ARTICLE IV

EFFECT OF CERTAIN CORPORATE CHANGES AND CHANGES IN CONTROL

SECTION 4.1 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 4.1, 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 all the Outstanding Stock Options under the Plan shall be immediately exercisable as of the date of such Reorganization Event. For the purposes of this Section 4.1, 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.

SECTION 4.2 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, as the case may be, in order to provide each Outside Director with a benefit equivalent to that which he would have been entitled had such event not occurred, the Outstanding Stock Options under the Plan shall be adjusted in the same manner as the Outstanding Stock Options (as such term is defined in the LTMIP) under the LTMIP shall be adjusted. 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 descrease 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 V

MISCELLANEOUS

SECTION 5.1 Restriction on Transfer. The rights of an Outside Director with respect to Stock Options shall not be transferable by the Outside Director to whom such Stock Options are granted, otherwise than by will or the laws of descent and distribution.

SECTION 5.2 Stockholder Rights. No Grant of Stock Options under the Plan shall entitle an Outside Director to any rights of a holder of shares of Class B Common Stock, except upon the delivery of share certificates to an Outside Director upon exercise of a Stock Option.

SECTION 5.3 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 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 5.4 No Right to Reelection. Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for reelection by the Company's stockholders, nor confer upon any Outside Director the right to remain a member of the Board for any period of time, or at any particular rate of compensation.

ARTICLE VI

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 in no event may the provisions of the Plan respecting eligibility to participate or the timing or amount of grants be amended more frequently than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or any rules or regulations thereunder; and provided, further, that any amendment which under the requirements of applicable law must be approved by the stockholders of the Company shall not be effective unless and until such stockholder approval has been obtained in compliance with such law; and provided, further, that any amendment that must be approved by the stockholders of the Company in order to maintain the continued qualification of the Plan under Rule 16b-3(c)(2)(ii) 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 an Outside Director to whom a Grant has been made, adversely affect the rights of such Director in the Stock Options covered by such Grant. Unless previously terminated pursuant to this Article VI, the Plan shall terminate on the tenth anniversary of the Effective Date, and no further Grants may be awarded hereunder after such date.

ARTICLE VII

INTERPRETATION

SECTION 7.1 Governmental Regulations. The Plan, and all Grants hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

SECTION 7.2 Headings. The headings of sections and subsections herein are included solely for the convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

SECTION 7.3 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 VIII

EFFECTIVE DATE AND STOCKHOLDER APPROVAL

The Effective Date of the Plan shall be May 25, 1993 and stockholder approval shall be sought at the first annual meeting of stockholders following such date. In the event that stockholder approval is not obtained on or before the date of such annual meeting, the Plan and all Grants hereunder shall be void ab initio and of no effect. No Stock Option shall be exercisable until the date of such stockholder approval.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

Section 145 of the DGCL empowers a Delaware corporation to indemnify any person who was or is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, such person had no reasonable cause to believe his conduct was unlawful. A Delaware corporation may indemnify such persons against expenses (including attorneys' fees) in actions brought by or in the right of the corporation to procure a judgment in its favor under the same conditions, except that no indemnification is permitted in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and to the extent the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the Court of Chancery or other such court shall deem proper. To the extent such person has been successful on the merits or otherwise in defense of any action referred to above, or in defense of any claim, issue or matter therein, the corporation must indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. The indemnification and advancement of expenses provided for in, or granted pursuant to, Section 145 is not exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise.

Section 145 also provides that a corporation may maintain insurance against liabilities for which indemnification is not expressly provided by the statute.

Article VI of Viacom's Restated Certificate of Incorporation provides for indemnification of the directors, officers, employees and agents of Viacom to the full extent currently permitted by the DGCL.

In addition, Viacom's Restated Certificate of Incorporation, as permitted by Section 102(b) of the DGCL, limits directors' liability to Viacom and its stockholders by eliminating liability in damages for breach of fiduciary duty. Article VII of Viacom's Restated Certificate of Incorporation provides that neither Viacom nor its stockholders may recover damages from Viacom's directors for breach of their fiduciary duties in the performance of their duties as directors of Viacom. As limited by Section 102(b), this provision cannot, however, have the effect of indemnifying any director of Viacom in the case of liability (i) for a breach of the director's duty of loyalty, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL or (iv) for any transactions for which the director derived an improper personal benefit.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

2.1 --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 (included as Annex I to the Joint Proxy Statement/Prospectus)

2.2 --Voting Agreement dated as of January 21, 1994 between National Amusements, Inc. and Paramount Communications Inc. (included as Annex II to the Joint Proxy Statement/Prospectus)

3.1 --Restated Certificate of Incorporation of Viacom Inc. as filed with the Secretary of State of the State of Delaware on May 21, 1992 (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))

3.2 --Form of Amendment to Restated Certificate of Incorporation of Viacom Inc. (included as Annex VII to the Joint Proxy Statement/Prospectus)

3.3 --Form of Certificate of Merger merging Viacom Sub Inc. with and into Paramount Communications Inc. (included as Annex VI to the Joint Proxy Statement/ Prospectus)

3.4 --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))

4.1 --Specimen Certificate representing the 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))

4.2 --Certificate of Designations of Series A Cumulative Convertible Preferred Stock, par value $.01 per share, 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))

4.3 --Certificate of Designations of Series B Cumulative Convertible Preferred Stock, par value $.01 per share, of Viacom Inc. (incorporated by reference to Exhibit 3(c) to the Annual Report on Form 10-K of Viacom 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))

4.4 --Form of Certificate of Designations of Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, of Viacom Inc.

4.5 --Form of Indenture between Viacom Inc. and Harris Trust and Savings Bank, as Trustee with respect to Viacom Inc.'s 8% Exchangeable Subordinated Debentures due 2006 and Viacom Inc.'s 5% Subordinated Debentures due 2014 (including the Form of 8% Debenture and the Form of 5% Debenture)

4.6 --Form of Contingent Value Rights Agreement between Viacom Inc. and Harris Trust and Savings Bank, as Trustee (including the Form of Contingent Value Right)

4.7 --Form of Warrant Agreement between Viacom and Harris Trust and Savings Bank, as Warrant Agent with respect to the Three-Year Warrants of Viacom Inc. (including the Form of Three-Year Warrant)

4.8 --Form of Warrant Agreement between Viacom and Harris Trust and Savings Bank, as Warrant Agent with respect to the Five-Year Warrants of Viacom Inc. (including the Form of Five-Year Warrant)

4.9 --Form of Specimen Certificate representing Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, of Viacom Inc.

4.10 --Credit Agreement dated as of September 26, 1989 among Viacom International Inc., the banks listed therein (the "Banks"), and Citibank, N.A., as Agent and the Bank of New York, as Co-Agent, as amended and restated as of January 17, 1992 among Viacom Inc., as Guarantor, Viacom International Inc., the Subsidiary Obligors, the Banks, Citibank, N.A., as Agent, and The Bank of New York, as Co-Agent (incorporated by reference to Exhibits 10(1) and 10(2) to the Current Report on Form 8-K of Viacom Inc. with a report date of January 22, 1992) as amended by Letter Agreements dated as of April 7, 1993 and May 13, 1993 (incorporated by reference to Exhibits 4.1 and 4.2 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1993 (File No. 1-9553))

4.11 --Loan Facility Agreement dated as of June 2, 1993 among Viacom Inc. and the banks named therein and The Bank of New York, as Administrative Managing Agent and The Bank of New York and Citibank, N.A., as Managing Agents (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1993 (File No. 1-9553))

4.12 --Credit Agreement dated as of November 19, 1993, as amended as of January 4, 1994 and as further amended as of February 15, 1994, among Viacom Inc., the Banks named therein, and The Bank of New York, Citibank, N.A. and Morgan Guaranty Trust Company of New York, as Managing Agents (incorporated by reference to Exhibit 99(a)(11) to Viacom Inc. Schedule 14D-1 Tender Offer Statement (Amendment No. 46) dated March 3, 1994)

4.13 --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.

5 --Opinion of Shearman & Sterling as to the legality of the securities being registered

10.1 --Stock Purchase Agreement dated as of October 4, 1993 between Viacom Inc. and NYNEX Corporation, as amended as of November 19, 1993 (incorporated by reference to Exhibit 10(t) to the Annual Report on Form 10-K of Viacom 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))

10.2 --Amended and Restated Stock Purchase Agreement dated October 21, 1993 between Viacom Inc. and Blockbuster Entertainment Corporation (incorporated by reference to Exhibit 10(u) to the Annual Report on Form 10-K of Viacom 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))

10.3 --Subscription Agreement dated January 7, 1994 between Viacom Inc. and Blockbuster Entertainment Corporation (incorporated by reference to Exhibit 99(c)(8) to Viacom Inc. Schedule 14D-1 Tender Offer Statement (Amendment No. 20) dated January 7, 1994)

12.1 --Statement of Computation of Earnings to Fixed Charges of Viacom Inc.

12.2 --Statement of Computation of Earnings to Combined Fixed Charges and Preferred Stock Dividends (contained in Exhibit 12.1)

23.1 --Consent of Price Waterhouse as to financial statements of Viacom Inc.

23.2 --Consent of Ernst & Young as to financial statements of Paramount Communications Inc.

23.3 --Consent of Arthur Andersen & Co. as to financial statements of Blockbuster Entertainment Corporation

23.4 --Consent of Shearman & Sterling (contained in Exhibit 5)

23.5 --Consent of Simpson Thacher & Bartlett

23.6 --Consent of Smith Barney Shearson Inc.

23.7 --Consent of Lazard Freres & Co.

24 --Powers of Attorney

25 --Statement of Eligibility of Trustee on Form T-1 of Harris Trust and Savings Bank, as Trustee

99.1 --Opinion of Smith Barney Shearson Inc. dated February 1, 1994 (included as Annex III to the Joint Proxy Statement/Prospectus)

99.2 --Opinion of Lazard Freres & Co. dated February 4, 1994 (included as Annex IV to the Joint Proxy Statement/Prospectus)

99.3 --Letter, dated February 14, 1994, from Lazard Freres & Co. to Mr. Donald Oresman of Paramount Communications Inc. (incorporated by reference to Exhibit (b)(5) of Amendment No. 1 to the Rule 13e-3 Transaction Statement of Paramount Communications Inc. dated May 25, 1994)

99.4 --Form of Proxy for the Special Meeting of the Stockholders of Viacom Inc.

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99.10 --Form of Notice of Special and Annual Meetings of Stockholders to the stockholders of Viacom Inc.

99.11 --Form of Chairman's Annual Report Letter to the stockholders of Viacom Inc.

(b) No financial statement schedules are required to be filed herewith pursuant to Item 21(b) or (c) of this Form.

ITEM 22. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the Prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually

or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and in the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the Prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(c) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

(d) The undersigned Registrant hereunder undertakes to register under the Securities Act of 1933, prior to the issuance thereof, all securities, if any, issued in exchange for the CVRs and to deliver a prospectus in connection therewith to holders of record of the CVRs at that time.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on June 6, 1994.

VIACOM INC.
(registrant)
/s/ Philippe P. Dauman
By:. . . . . .
Name: Philippe P. Dauman
Title: Executive Vice President, General Counsel, Chief Administrative Officer and Secretary

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons on June 6, 1994 in the capacities shown:

SIGNATURE	TITLE
*	Director
George S. Abrams	
*	President, Chief Executive Officer and Director (Principal Executive Officer)
Frank J. Biondi, Jr.	
/s/ Philippe P. Dauman	Director
Philippe P. Dauman	
*	Director
William C. Ferguson	
*	Director
H. Wayne Huizenga	
*	Director
Ken Miller	
*	Director
Brent D. Redstone	
*	Director
Sumner M. Redstone	
*	Director
Frederick V. Salerno	
*	Director
William Schwartz	
/s/ George S. Smith, Jr.	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
George S. Smith, Jr.	
/s/ Kevin C. Lavan	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
Kevin C. Lavan	

*By: /s/ Philippe P. Dauman
Philippe P. Dauman
Attorney-in-Fact under Powers of Attorney
filed as Exhibit 24 to this registration statement

June 6, 1994

INDEX TO EXHIBITS

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CERTIFICATE OF THE DESIGNATIONS, POWERS, PREFERENCES AND RELATIVE, PARTICIPATING OR OTHER RIGHTS, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS THEREOF, OF

SERIES C CUMULATIVE EXCHANGEABLE REDEEMABLE PREFERRED STOCK
($0.01 Par Value Per Share)

OF

VIACOM INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

VIACOM INC., a Delaware corporation (the "Corporation"), does hereby certify that the following resolutions were duly adopted by the Board of Directors of the Corporation pursuant to authority conferred upon the Board of Directors by Article IV of the Restated Certificate of Incorporation of the Corporation, which authorizes the issuance of up to 200,000,000 shares of preferred stock, at a meeting of the Board of Directors duly held on May __, 1994:

RESOLVED, that the issuance of a series of preferred stock, $0.01 par value per share, of the Corporation is hereby authorized and the designation, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Corporation, are hereby fixed as follows:

(1) Number of Shares and Designation. [ ] shares of the preferred stock, $0.01 par value per share, of the Corporation are hereby constituted as a series of the preferred stock designated as Series C Cumulative Exchangeable Redeemable Preferred Stock (the "Series C Preferred Stock"). The authorized number of shares of Series C Preferred Stock may not be increased at any time and may not be decreased below the number of then currently outstanding shares of Series C Preferred Stock.

(2) Definitions. For purposes of the Series C Preferred Stock, the following terms shall have the meanings indicated:

"Board of Directors" shall mean the board of directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series C Preferred Stock.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Class A Common Stock" shall mean the Class A Common

Stock of the Corporation, par value $0.01 per share.

"Class B Common Stock" shall mean the Class B Common Stock of the Corporation, par value $0.01 per share.

"Common Stock" shall mean the Class A Common Stock, Class B Common Stock and any other class of common stock of the Corporation which is authorized, issued and outstanding.

"Debentures" shall mean the Corporation's 5% Subordinated Debentures due 2014 issued upon exchange of shares of the Series C Preferred Stock.

"Dividend Periods" shall mean quarterly dividend periods commencing on the first day of October, January, April and July of each year and ending on and including the day immediately preceding the first day of the next succeeding Dividend Period (other than the initial Dividend Period which shall commence on the Issue Date and end on and include the day immediately preceding the first day of the next succeeding Dividend Period).

"Effective Time" shall mean the effective time of the merger of a wholly owned subsidiary of the Corporation with and into Paramount Communications Inc.

"Exchange Date" shall have the meaning set forth in paragraph (b) of Section (7) hereof.

"Exchange Notice" shall have the meaning set forth in paragraph (b) of Section (7) hereof.

"Issue Date" shall mean the first date on which shares of Series C Preferred Stock are issued.

"Junior Stock" shall mean the Common Stock and any other class of capital stock of the Corporation now or hereafter issued and outstanding that ranks junior as

to dividends and upon liquidation, dissolution or winding up to the Series C Preferred Stock.

"Parity Stock" shall mean any stock of the Corporation ranking on a parity with the Series C Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

"Person" shall mean any individual, firm, partnership, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Subsidiary" means any corporation of which at the time of determination the Corporation, directly or indirectly through one or more Subsidiaries, owns more than 50% of the stock of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Trading Day" means a day on which the American Stock Exchange, or such other exchange or inter-dealer quotation system on which the Common Stock is principally traded or authorized to be quoted, is open for the transaction of business.

"Transfer Agent" means [The First Chicago Trust Company] of New York or such other agent or agents of the Corporation as may be designated by the Board of Directors of the Corporation as the transfer agent for the Series C Preferred Stock.

(3) Dividends. (a) The holders of shares of the Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available therefor, cumulative cash dividends at the rate per annum of $2.50 per share of Series C Preferred Stock through the tenth anniversary of the Effective Time, and thereafter at the rate per annum of $5.00 per share. Such dividends shall be cumulative from the later of the Effective Time and the latest date through which interest has been paid on Viacom's 8% Exchangeable Subordinated Debentures due 2006, whether or not in any Dividend Period or Periods there shall be funds of the Corporation legally available for the payment of such dividends, and shall be payable quarterly, when, as and if declared by the Board of Directors, on the first Business Day of January, April, July and October of each year during which shares of Series C Preferred Stock are outstanding, commencing on the first such Business Day after the Issue Date or at such additional times and for such interim periods, if any, as determined by the Board of Directors. Each such dividend shall be payable in arrears to the holders of record of shares of the Series C Preferred Stock, as they appear on the stock records of the Corporation at the close of business on such record dates, not more than 60 days preceding the payment dates thereof, as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any regular

dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods shall accrue interest at the Base Rate as announced from time to time by Citibank, N.A., which interest, until paid, shall be treated for all purposes of this Certificate of Designation as accrued and unpaid dividends.

(b) The amount of dividends payable for each full Dividend Period for the Series C Preferred Stock shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for the initial Dividend Period on the Series C Preferred Stock, or any other period shorter or longer than a full Dividend Period on the Series C Preferred Stock shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Except as provided in Section 5(a), holders of shares of Series C Preferred Stock called for redemption on a redemption date between a dividend payment record date and the dividend payment date shall not be entitled to receive the dividend payable on such dividend payment date. Holders of shares of Series C Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series C Preferred Stock.

(c) So long as any shares of the Series C Preferred Stock are outstanding, no dividends, except as described in the next succeeding sentence, shall be declared or paid or set apart for payment on any Parity Stock, for any period, nor shall any shares of Parity Stock be redeemed or purchased by the Corporation or any Subsidiary, unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series C Preferred Stock for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, upon the shares of the Series C Preferred Stock and any other class or series of Parity Stock, all dividends declared upon shares of the Series C Preferred Stock and all dividends declared upon such Parity Stock shall be declared pro rata so that the amounts of dividends per share declared on the Series C Preferred Stock and such Parity Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of the Series C Preferred Stock and such Parity Stock bear to each other.

(d) So long as any shares of the Series C Preferred Stock are outstanding, no dividends or other distributions (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of Junior Stock) shall be declared or paid or set apart for payment with respect to the Junior Stock, nor shall any Junior Stock be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund or otherwise set apart for the redemption of any shares of any such Junior Stock) by the Corporation or any Subsidiary (except by conversion into or exchange for Junior Stock) unless, in each case (i) the full cumulative dividends on all outstanding shares of the Series C Preferred Stock and any Parity

Stock, shall have been paid or set apart for payment for all past Dividend Periods and dividend periods with respect to such Parity Stock and (ii) sufficient funds shall have been set apart for the payment of the dividend for the current Dividend Period with respect to the Series C Preferred Stock and the dividend period with respect to any Parity Stock.

(4) Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Stock, the holders of the shares of Series C Preferred Stock shall be entitled to receive $50.00 per share plus an amount equal to all dividends (whether or not earned or declared) accrued and accumulated and unpaid thereon but not including to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of Series C Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidation payments on any shares of Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series C Preferred Stock and any such Parity Stock ratably in accordance with the respective amounts which would be payable on such shares of Series C Preferred Stock and any such Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section (4), (i) a consolidation or merger of the Corporation with one or more corporations, (ii) a sale or transfer of all or substantially all of the Corporation's assets or (iii) a statutory share exchange shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary of the Corporation.

(b) Subject to the rights of the holders of shares of any series or class or classes of Parity Stock, after payment shall have been made in full to the holders of Series C Preferred Stock, as provided in this Section (4), any other series or class or classes of Junior Stock shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of Series C Preferred Stock shall not be entitled to share therein.

(5) Redemption at the Option of the Corporation. (a) Shares of Series C Preferred Stock may not be redeemed by the Corporation prior to the fifth anniversary of the Effective Time, after which, the Corporation, at its option, may redeem the shares of Series C Preferred Stock, in whole or in part, out of funds legally available therefor, at any time or from time to time, subject to the notice provisions and provisions for partial redemption described below, at the following redemption prices plus an amount equal to accrued and unpaid dividends, if any, to the date fixed for redemption, whether or not earned or declared:

If redeemed during the 12 month period beginning on the anniversary of the Effective Time indicated below	Redemption Price
Fifth	$52.50
Sixth	$52.00
Seventh	$51.50
Eighth	$51.00
Ninth	$50.50
Tenth and thereafter	$50.00

(b) In the event that full cumulative dividends on the Series C Preferred Stock and other class or series, of stock ranking, as to dividends, on a parity with the Series C Preferred Stock have not been paid or declared and set apart for payment, the Series C Preferred Stock may not be redeemed in part and the Corporation may not purchase or acquire shares of Series C Preferred Stock or such other stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series C Preferred Stock and such other stock.

(c) In the event the Corporation shall redeem shares of Series C Preferred Stock, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 10 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock records of the Corporation, which notice shall be unconditional and irrevocable. Each such notice shall state: (1) the redemption date; (2) the number of shares of Series C Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on the shares to be redeemed shall cease to accrue on such redemption date. Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price), (i) dividends on the shares of the Series C Preferred Stock so called for redemption shall cease to accrue, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price without interest thereon after the redemption date and accrued and unpaid dividends, if any, to, but not including, the redemption date and any cash adjustment in lieu of fractional unredeemed shares) shall cease. The Corporation's obligation to provide moneys in accordance with the preceding sentence shall be deemed fulfilled if, on or before the redemption date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) having an office in the Borough of Manhattan, City of New York, and having a

capital and surplus of at least $50,000,000, funds necessary for such redemption, in trust, with irrevocable instructions that such funds after the redemption date be applied to the redemption of the shares of Series C Preferred Stock so called for redemption. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any funds so deposited and unclaimed at the end of two years from such redemption date shall be released or repaid to the Corporation, after which, subject to any applicable laws relating to escheat or unclaimed property, the holder or holders of such shares of Series C Preferred Stock so called for redemption shall look only to the Corporation for payment of the redemption price.

Upon surrender in accordance with said notice of the certificates for any such shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price aforesaid. If fewer than all the outstanding shares of Series C Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series C Preferred Stock not previously called for redemption by lot or pro rata (as nearly as may be) or by any other method determined by the Corporation in its sole discretion to be equitable. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof. No fractional shares will be issued upon redemption, but an adjustment in cash will be made in respect of any fraction of an unredeemed share which would otherwise be issuable.

(6) Shares to Be Retired. All shares of Series C Preferred Stock purchased or redeemed by the Corporation or exchanged shall be retired and cancelled and shall be restored to the status of authorized but unissued shares of preferred stock, without designation as to series.

(7) Exchange. (a) The Corporation may, at its option, on any scheduled dividend payment date occurring on or after the third anniversary of the Effective Time, exchange the Series C Preferred Stock, in whole or in part, for Debentures. The Corporation may effect such exchange only if all accrued and unpaid dividends on the Series C Preferred Stock have been paid. Holders of Series C Preferred Stock so exchanged will be entitled to receive $50 principal amount of Debentures for each share of Series C Preferred Stock held by such holders at the time of exchange plus an amount per share in cash equal to all accrued but unpaid dividends thereon to, but not including, the date of exchange. The Debentures will be issuable only in registered form and in denominations of $1,000 and integral multiples thereof. An amount in cash will be paid to holders for any principal amount otherwise issuable which is less than $1,000. At the time of exchange, all dividends will cease to accrue, the rights of the holders of Series C Preferred Stock as stockholders of the Corporation shall cease (except the right to receive the Debentures, all accrued and unpaid dividends, if any, to, but not including, the date of exchange and any cash adjustment in lieu of principal amount otherwise issuable which is less than $1,000) and the person or persons

entitled to receive the Debentures issuable upon exchange shall be treated as the registered holder or holders of such Debentures.

(b) (i) At least 10 days and not more than 60 days prior to the date fixed for any exchange of the Series C Preferred Stock, written notice (the "Exchange Notice") shall be given by first class mail, postage prepaid, to each holder of record on the record date fixed for such exchange (the "Exchange Date") of the Series C Preferred Stock at such holder's address as the same appears on the stock register of the Corporation; provided, however, that neither any failure to give such notice nor any deficiency therein shall affect the validity of the procedure for the exchange of any shares of Series C Preferred Stock to be exchanged except as to the holder or holders to whom the Corporation has failed to give said notice or except as to the holder or holders whose notice was defective. The Exchange Notice shall state:

(A) the date fixed for the Exchange Date;

(B) that the holder is to surrender to the Corporation, in the manner and at the place designated, the certificate or certificates representing the shares of Series C Preferred Stock held by such holder; and

(C) that dividends on the shares of the Series C Preferred Stock to be exchanged will cease to accrue on such Exchange Date.

(ii) On or before the Exchange Date, each holder shall surrender the certificate or certificates representing such shares of Series C Preferred Stock to the Corporation, in the manner and at the place designated in the Exchange Notice, and on the Exchange Date the person whose name appears on such certificate or certificates as the owner of such shares shall receive the amount of Debentures described in Section 7(a) above, and each surrendered certificate shall be cancelled and retired.

(iii) If the Corporation has caused the Debentures to be authenticated on or prior to the Exchange Date and has complied with the other provisions of this Section 7, then, notwithstanding that any certificates for shares of Series C Preferred Stock have not been surrendered for exchange, dividends on the Series C Preferred Stock called for exchange shall cease to accumulate on the Exchange Date, and the holders of such exchanged shares shall cease to be stockholders with respect to the Series C Preferred Stock and shall have no interest in or other claims against the Corporation by virtue thereof and shall have no voting or other rights with respect thereto on the Exchange Date, other than the right to receive the Debentures, the right to accumulated and unpaid dividends up to, but not including, the Exchange Date, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates and the right to receive a cash adjustment, if

any, in lieu of any principal amount otherwise issuable which is less than $1,000, and the shares evidenced thereby shall no longer be deemed outstanding for any purpose.

(iv) Prior to the Exchange Date, the Corporation shall comply with any applicable securities and Blue Sky laws with respect to the exchange of the Series C Preferred Stock for the Debentures.

(8) Ranking. Any class or classes of stock of the Corporation shall be deemed to rank:

(i) prior to the Series C Preferred Stock, as to dividends or as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series C Preferred Stock;

(ii) on a parity with the Series C Preferred Stock, as to dividends or as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series C Preferred Stock, if the holders of such class of stock and the Series C Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation prices, without preference or priority one over the other; and

(iii) junior to the Series C Preferred Stock, as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock shall be Class A Common Stock or Class B Common Stock or if the holders of Series C Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of such stock.

(9) Voting. Except as herein provided or as otherwise from time to time required by applicable law, holders of Series C Preferred Stock shall have no voting rights whatsoever. Whenever, dividends payable on the shares of Series C Preferred Stock at any time outstanding shall be in arrears for such number of Dividend Periods, which Dividend Periods need not be consecutive, which shall in the aggregate contain not less than 360 days, the number of directors of the Corporation shall be increased by two and the holders of Series C Preferred Stock, voting together as a class with the holders of shares of any class or series of Parity Stock upon which like voting rights have been conferred and are exercisable, will have the right to elect two additional directors to the Board of Directors at the

Corporation's next annual meeting of stockholders and at each subsequent annual meeting of stockholders until all such dividends on such series have been paid in full. At elections for such directors, each holder of Series C Preferred Stock shall be entitled to one vote for each share held. Upon any termination of the right of the holders of such series to vote for directors as provided above, the term of office of all directors then in office, elected by such series, shall terminate immediately, subject to such rights revesting in the event of each and every subsequent default of the character mentioned above.

If the office of any director elected by the holders of Series C Preferred Stock, voting together as a class with the holders of shares any class of series of Parity Stock upon which like voting rights have been conferred and are exerciseable, becomes vacant by reason of death, resignation, retirement, disqualification or removal from office or otherwise, the remaining director elected by the holders of Series C Preferred Stock and any such Parity Stock may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred. Upon any termination of the right of the holders of Series C Preferred Stock and any such Parity Stock to vote for directors as herein provided, the term of office of all directors then in office elected by the holders of Series C Preferred Stock and any such Parity Stock upon which voting rights have been conferred and are exercisable shall terminate immediately. Whenever the term of office of the directors elected by the holders of Series C Preferred Stock and any such Parity Stock shall so terminate and the special voting powers vested in the holders of Series C Preferred Stock and any such Parity Stock shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to the provisions of this Section 9.

So long as any shares of the Series C Preferred Stock remain outstanding, the consent of the holders of at least two-thirds of the shares of Series C Preferred Stock outstanding at the time given in person or by proxy, either in writing or at any special or annual meeting, shall be necessary to permit, effect or validate any one or more of the following:

(a) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to Series C Preferred Stock with respect to dividends or the distribution of assets upon liquidation, dissolution or winding up, or

(b) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation of the Corporation which would materially and adversely affect any rights, preferences or voting powers of the holders of Series C Preferred Stock; provided, however, that any increase in the amount of authorized preferred stock or the creation and issuance of other series of preferred stock, or any increase in the amount of authorized shares of such series or of any other series of preferred stock, in each case ranking on a parity with or junior to the Series C Preferred Stock with respect to the payment of dividends and the distribution of assets upon

liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences or voting powers.

The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series C Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption, scheduled to be consummated within three months after such time.

(10) Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any shares of Series C Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be made under the seal of the Corporation and signed by , its , and attested by , its [Assistant] Secretary, this day of , 199 .

VIACOM INC.

By
[Name]
[Title]

Attest:

By
[Name]
[Assistant] Secretary

==========

VIACOM INC.

TO

HARRIS TRUST AND SAVINGS BANK,

Trustee

_____

Indenture

Dated as of _____, 1994

_____

8% Exchangeable Subordinated Debentures due 2006

and

5% Subordinated Debentures due 2014

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VIACOM INC.

Reconciliation and tie between Trust Indenture Act of 1939 and Indenture, dated as of , 1994

Trust Indenture Act Section		Indenture Section
Sec. 310(a)(1)	. . . . .	607
(a)(2)	. . . . .	607
(b)	. . . . .	608
Sec. 312(c)	. . . . .	701
Sec. 314(a)	. . . . .	703
(a)(4)	. . . . .	1005(a)
(c)(1)	. . . . .	102
(c)(2)	. . . . .	102
(e)	. . . . .	102
Sec. 315(b)	. . . . .	601
Sec. 316(a)(last sentence)	. . . . .	101 ("Outstanding")
(a)(1)(A)	. . . . .	502, 512
(a)(1)(B)	. . . . .	513
(b)	. . . . .	508
(c)	. . . . .	104(d)
Sec. 317(a)(1)	. . . . .	503
(a)(2)	. . . . .	504
(b)	. . . . .	1003
Sec. 318(a)	. . . . .	111

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Note: This table of contents shall not, for any purpose, be deemed to be a part of the Indenture.

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INDENTURE, dated as of _____, 1994, between Viacom Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 200 Elm Street, Dedham, Massachusetts 02026, and Harris Trust and Savings Bank, an Illinois banking corporation duly organized and existing under the laws of the State of Illinois, trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of 8% Exchangeable Subordinated Debentures due 2006 (herein called the "Initial Securities") and 5% Subordinated Debentures due 2014 (the "Exchange Securities", and together with the Initial Securities, the "Securities"), of the tenor and amounts hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

Definitions and Other Provisions of General Application

Section 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them

therein, and the terms "cash transaction" and "self-liquidating paper", as used in TIA Section 311, shall have the meanings assigned to them in the rules of the Commission adopted under the Trust Indenture Act;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

(d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent Bank" means any agent or agents from time to time under the Credit Agreement, or any successor or successors thereto.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 612 to act on behalf of the Trustee to authenticate Securities.

"Authorized Newspaper" means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"Banks" means the lenders from time to time who are parties to any Credit Agreement.

"Blockbuster Merger" means the merger of Blockbuster Entertainment Corporation with and into the Company, with the Company being the surviving corporation, pursuant to the Agreement and Plan of Merger dated as of January 7, 1994, between the Company and Blockbuster.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day", when used with respect to any Place of Payment or other particular location referred to in this Indenture or in the Securities, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or other locations (including the City of Chicago, Illinois) are authorized or obligated by law or executive order to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock whether now outstanding or issued after the date of this Indenture.

"Capitalized Lease Obligation" means any obligation to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal property that is required to be classified and accounted for as a capital lease obligation under generally accepted accounting principles, and, for the purposes of this Indenture, the amount of such obligation at any date shall be the capitalized amount thereof at such date, determined in accordance with such principles.

"Cedel S.A." means Centrale de Livraison de Valeurs Mobilieres, S.A.

"Certificate of Designations" means the Certificate of the Designations, Powers, Preferences and Relative, Participating or Other Rights and the Qualifications, Limitations or Restrictions thereof, of the Company's Series C Preferred Stock.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture, until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by one Officer of the Company, and delivered to the Trustee.

"Corporate Trust Office" means the principal office of the Trustee in New York, New York or Chicago, Illinois, at which at any particular time its corporate trust business shall be administered, which office at the date of execution of this Indenture is located at 311 West Monroe Street, 12th Floor, Chicago, Illinois 60606.

"corporation" means a corporation, association, company, joint-stock company or business trust.

"Credit Agreement" means any credit agreement under which the Company is a borrower, in the principal amount of at least $100 million.

"Default" means any event or condition which is, or after notice or passage of time or both would be, an Event of Default.

"Default Amount" has the meaning specified in Section 502.

"Defaulted Interest" has the meaning specified in Section 307.

"Effective Time" means the "Effective Time" of the merger of Viacom Sub Inc. with and into Paramount, as defined in the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994, among the Company, Viacom Sub Inc. and Paramount.

"Euro-clear" means Morgan Guaranty Trust Company of New York, Brussels Office, as the operator of the Euro-clear Systems.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Date" means the date, if any, on which the Exchange Securities are issued in exchange for the outstanding shares of Series C Preferred Stock.

"Exchange Notice" has the meaning specified in Section 1403.

"Exchange Securities" has the meaning stated in the first recital of this Indenture and refers to any Exchange Securities, containing terms substantially identical to the Initial Securities (except for interest rate, Stated Maturity and redemption price), that are issued and exchanged for the Company's Series C Preferred Stock pursuant to the Certificate of Designations and this Indenture.

"Federal Bankruptcy Code" means the Bankruptcy Act of Title 11 of the United States Code, as amended from time to time.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Initial Exchange Date" means the date on which the shares of Series C Preferred Stock are issued in exchange for the outstanding Initial Securities.

"Initial Securities" has the meaning stated in the first recital of this Indenture.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Securities.

"Lien" means any pledge, mortgage, lien, encumbrance or other security interest.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Notice of Default" shall have the meaning provided in Section 501.

"Officer" means the Chairman of the Board, the President, any Vice President (whether or not designated by a number or word added before or after the title vice president), the Treasurer, the Secretary, any Assistant Secretary or the Controller of the Company.

"Officer's Certificate" means a certificate signed by any Officer of the Company in his or her capacity as such an Officer and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be General Counsel for the Company, and who shall be reasonably acceptable to the Trustee.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Securities which have been defeased pursuant to Section 1202 hereof; and

(iv) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands the Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, consent, notice or waiver hereunder or whether a quorum is present at a meeting of Holders of Securities, Securities beneficially owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, or upon any such determination as to the presence of a quorum, only Securities which the Trustee knows to be so beneficially owned shall be so disregarded. Securities so beneficially owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paramount" means Paramount Communications Inc.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any, on) or interest on any Securities on behalf of the Company and which initially shall be Harris Trust Company of New York.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other entity.

"Place of Payment", when used with respect to the Securities, means the place or places where, subject to the provisions of Section 1002, the principal of and any premium and interest on the Securities are payable.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security or shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Security.

"Redeemable Capital Stock" means any Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or otherwise, (i) is or upon the happening of an event or passage of time would be required to be redeemed on or prior to the final Stated Maturity of the Securities, (ii) is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity or (iii) is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Security in the forms set forth in Article Two of this Indenture which is registered in the Security Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Registered Securities means the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Senior Obligations" means with respect to any Person, without duplication, (i) all indebtedness of such Person for borrowed money, including all obligations of the Company under its bank credit facilities, or for the deferred purchase price of property or services, (ii) all indebtedness of such Person evidenced by bonds, notes, debentures or other instruments of indebtedness, including, without limitation, all obligations, contingent or otherwise, of such Person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities, and interest rate contracts, (iii) trade credit arising in the ordinary course of business and all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (iv) all Capitalized Lease Obligations of such Person, (v) all Senior Obligations referred to in (but not excluded from) clause (i), (ii), (iii) or (iv) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Senior Obligations has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Senior Obligations, (vi) all liabilities that such Person has guaranteed or that are otherwise its legal liability, other than endorsements for collection or deposit, in either case in the ordinary course of business, or any obligation or liability of such Person in respect of leasehold interests assigned by such Person to any other Person, (vii) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred in clauses (i) through (vi) above, unless, in the case of any particular indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such indebtedness shall not be senior in right

of payment to the Securities. Notwithstanding the foregoing, "Senior Obligations" shall not include indebtedness evidenced by the Securities.

"Series C Preferred Stock" means the Company's 5% Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" of any Person means (i) a corporation a majority of the outstanding voting stock of which is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person, or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation), including, without limitation, a partnership or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

"Surviving Person" has the meaning specified in Section 801.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended, as in force at the date as of which this Indenture was executed, except as provided in Section 905.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"U.S. Depositary" means, with respect to the Securities issuable or issued in whole or in part in the form of one or more permanent global Securities, the Person designated as U.S. Depositary by the Company, which must be a clearing agency registered under the Exchange Act.

"U.S. Government Obligations" has the meaning specified in Section 1704.

"Viacom International" means Viacom International Inc.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" means stock ordinarily having voting power for the election of directors.

Section 102. Compliance Certificates and Opinions.

Except as otherwise expressly provided by this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 1005) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or

covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent or proxy shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of authority. The fact and date of the execution of any such instrument or writing, or the

authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The principal amount and serial numbers of Registered Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) If the Company shall solicit from the Holders of Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding TIA Section 316(c), such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

Section 105. Notices, Etc., to Trustee, Company and Agent Bank.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Indenture Trust Division; or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Indenture, to the attention of its Secretary or at any other address previously furnished in writing to the Trustee by the Company.

Any notice or communication by the Company or the Trustee to any Agent Bank shall be given in accordance with Section 1316.

Section 106. Notice to Holders; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of Securities of any event, such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security, at the address of such Holder as it appears in the Security Register, not earlier than the earliest date, and not later than the latest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders of Registered Securities by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notice to such Holders for every purpose hereunder; provided that this paragraph shall not apply to any notice required by the Trust Indenture Act to be transmitted by mail. In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Securities shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 107. Language of Notices, Etc.

Any request, demand, authorization, direction, notice, consent, proxy or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Section 108. Trust Indenture Act.

The provisions of TIA Sections 310 through 317 that impose duties on any person (including the provisions deemed by Sec. 318(c) of the TIA automatically to be included herein unless expressly excluded by this Indenture, except to the extent so expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

Section 109. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 110. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 111. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 112. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 113. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the law of the State of New York.

Section 114. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date or at the Stated Maturity; provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

Security Forms

Section 201. Forms Generally.

The Securities and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities shall be printed, lithographed or engraved on steel-engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing such Securities, as evidenced by their execution of such Securities.

Section 202. Form of Face of Initial Security.

VIACOM INC.

8% Exchangeable Subordinated
Debenture due 2006

No. _____ $ _____

Viacom Inc., a Delaware corporation (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars on _____, 2006, at the office or agency of the Company referred to below, and to pay interest thereon initially on January 1, 1995, and semi-annually thereafter, on January 15 and July 15 in each year, from the Effective Time, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 8% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Securities from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date; provided, however, that the Regular Record Date for the initial Interest Payment Date shall be December 15, 1994. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such defaulted interest, and (to the extent lawful) interest on such defaulted interest at the rate borne by the Securities, may be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal of (and premium, if any, on) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company (i) by check mailed to the address of the Person entitled

thereto as such address shall appear in the Security Register or (ii) by transfer to an account maintained by the payee with a bank located in The City of New York (so long as the applicable Paying Agent has received timely and proper transfer instructions in writing).

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by the manual signature of one of its authorized officers, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: VIACOM INC.

By

Attest:

Authorized Signature

Section 203. Form of Reverse of Initial Security.

This Security is one of a duly authorized issue of securities of the Company designated as its 8% Exchangeable Subordinated Debentures due 2006 (herein called the "Securities"), limited in aggregate principal amount as provided in the Indenture referred to below, which may be issued under an indenture (herein called the "Indenture") dated as of , 1994 between
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the Company and Harris Trust and Savings Bank, trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The indebtedness evidenced by the Securities is, to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Obligations of the Company as defined in the Indenture, and

this Security is issued subject to such provisions. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee his attorney-in-fact for such purpose.

The Securities are subject to redemption upon not less than 30 nor more than 60 days' notice, at any time after the fifth anniversary of the Effective Time, as a whole or in part, at the election of the Company, at a Redemption Price equal to the percentage of the principal amount set forth below if redeemed during the 12-month period beginning on the anniversary of the Effective Time indicated:

Anniversary of Effective Time	Redemption Price
Fifth	103%
Sixth	102%
Seventh	101%
Eighth and thereafter	100%

together in the case of any such redemption with accrued interest, if any, to the Redemption Date, all as provided in the Indenture.

In the case of any redemption of Securities, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

In the event of redemption of this Security in part only, a new Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

Subject to the provisions of the Indenture, the Company has the right, at its option, on or after the earlier of (i) January 1, 1995, but only if the Blockbuster Merger has not been consummated by such date, and (ii) the acquisition by a third party of beneficial ownership of a majority of the outstanding voting securities of Blockbuster Entertainment Corporation, to exchange the principal hereof into shares of the Company's Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share (the "Series

C Preferred Stock"), at the rate of one fully paid and nonassessable share of Series C Preferred Stock for each $50.00 in principal amount of Securities exchanged. At the time of the exchange of the Series C Preferred Stock for the Securities, all accrued and unpaid interest on the Securities will not be paid and the dividends on the Series C Preferred Stock will be deemed to have accrued from the later of the Effective Time and the latest date through which interest has been paid on the Securities, and the Holders of such exchanged Securities shall cease to have any further rights with respect thereto, other than the right to receive the Series C Preferred Stock and the accrued and unpaid dividends on the Series C Preferred Stock.

If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

Except as otherwise provided herein, the Securities are not subject to any sinking fund and are not subject to redemption at the option of the Company prior to Maturity.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company on this Security and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Security.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Security will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made a written request, and offered

reasonable indemnity, to the Trustee to institute such proceeding as trustee, the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding and the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Securities during such 60-day period a direction inconsistent with such request; provided, however, that such limitations do
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not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and premium, if any) or interest on this Security on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any, on) and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable on the Security Register of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained for such purpose in The City of New York or Chicago, Illinois, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to the time of due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Section 204. Form of Face of Exchange Security.

VIACOM INC.

5% Subordinated
Debenture due 2014

No. _____ $ _____

Viacom Inc., a Delaware corporation (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars on _____, 2014, at the office or agency of the Company referred to below, and to pay interest thereon, semi-annually on January 15 and July 15 in each year, commencing on the first such date after the Exchange Date, at the rate of 5% per annum, until the tenth anniversary of the Effective Time and from and after the tenth anniversary of the Effective Time, at the rate of 10% per annum until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Securities from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such defaulted interest, and (to the extent lawful) interest on such defaulted interest at the rate borne by the Securities, may be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal of (and premium, if any, on) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the security register or (ii) by transfer to an account

maintained by the payee with a bank located in The City of New York (so long as the applicable Paying Agent has received timely and proper transfer instructions in writing).

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by the manual signature of one of its authorized officers, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: VIACOM INC.

By

Attest:

Authorized Signature

Section 205. Form of Reverse of Exchange Security.

This Security is one of a duly authorized issue of securities of the Company designated as its 5% Subordinated Debentures due 2014 (herein called the "Securities"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to $_____, which may be issued under an indenture (herein called the "Indenture") dated as of , 1994 between the Company and
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Harris Trust and Savings Bank, trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The indebtedness evidenced by the Securities is, to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Obligations of the Company as defined in the Indenture, and

this Security is issued subject to such provisions. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee his attorney-in-fact for such purpose.

The Securities are subject to redemption upon not less than 30 nor more than 60 days' notice, at any time after the fifth anniversary of the Effective Time, as a whole or in part, at the election of the Company, at a Redemption Price equal to the percentage of the principal amount set forth below if redeemed during the 12-month period beginning on the anniversary of the Effective Time indicated:

Anniversary of Effective Time	Redemption Price
Fifth	105%
Sixth	104%
Seventh	103%
Eighth	102%
Ninth	101%
Tenth and thereafter . . .	100%

together in the case of any such redemption with accrued interest, if any, to the Redemption Date, all as provided in the Indenture.

In the case of any redemption of Securities, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

In the event of redemption of this Security in part only, a new Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

Except as otherwise provided herein, the Securities are not subject to any sinking fund and are not subject to redemption at the option of the Company prior to maturity.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company on this Security and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Security.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Security will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made a written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Securities a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days; provided, however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and premium, if any) or interest on this Security on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any, on) and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable on the Security Register of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained for such purpose in The City of New York or Chicago, Illinois, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to the time of due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Section 206. Form of Trustee's Certificate of Authentication.

Subject to Section 611, the Trustee's certificate of authentication shall be in substantially the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

HARRIS TRUST AND SAVINGS BANK,
as Trustee

By

Authorized Officer

ARTICLE THREE

The Securities

Section 301. Title and Terms.

The aggregate principal amount of Initial Securities which may be authenticated and delivered under this Indenture is limited to $_____, and the aggregate principal amount of Exchange Securities which may be authenticated and delivered under this Indenture is limited to the aggregate liquidation preference of Series C Preferred Stock exchanged, except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Section 304, 305, 306, 906 or 1108.

The Initial Securities shall be known and designated as the "8% Exchangeable Subordinated Debentures due 2006" of the Company. Their Stated Maturity shall be _____, 2006, and they shall bear interest at the rate of 8% per annum from the Effective Time, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable initially on January 1, 1995 and semi-annually thereafter on January 15 and July 15 in each year and at said Stated Maturity, until the principal thereof is paid or duly provided for.

The Exchange Securities shall be known and designated as the "5% Subordinated Debentures due 2014" of the Company. Their Stated Maturity shall be _____, 2014, and they shall bear interest at the rate of 5% per annum from the Exchange Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, until the tenth anniversary of the Effective Time, and at the rate of 10% per annum thereafter, payable on the first Interest Payment Date after the Exchange Date and semi-annually thereafter on January 15 and July 15 in each year and at said Stated Maturity, until the principal thereof is paid or duly provided for.

The principal of (and premium, if any, on) and interest on the Securities shall be payable at the office or agency of the Company maintained for such purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose; provided, however, that, at the option of the Company, interest may be paid by check mailed to addresses of the Persons entitled thereto as such addresses shall appear on the Security Register or by transfer to an account maintained by the payee with a bank located in The City of New York (so long as the applicable Paying Agent has received timely and proper transfer instructions in writing).

The Securities shall be redeemable as provided in Article Eleven.

The Securities shall be subordinated in right of payment to Senior Obligations of the Company as provided in Article Thirteen.

Section 302. Denominations.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

Section 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by any Officer and attested by its Corporate Secretary (provided that the Corporate Secretary shall not attest his or her own signature as an Officer) or its Treasurer or one of its Assistant Corporate Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities.

Each Registered Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of

authentication substantially in the form provided for herein duly executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

In case the Company, pursuant to Article Eight, shall be consolidated or merged with or into any other Person or shall convey, transfer, lease or otherwise dispose of its properties and assets substantially as an entirety (as such term is defined in Section 801 hereof) to any Person, and the successor Person resulting from such consolidation, or surviving such merger, or into which the Company shall have been merged, or the Person which shall have received a conveyance, transfer, lease or other disposition as aforesaid, shall have executed an indenture supplemental hereto with the Trustee pursuant to Article Eight, any of the Securities authenticated or delivered prior to such consolidation, merger, conveyance, transfer, lease or other disposition may, from time to time, at the request of the successor Person, be exchanged for other Securities executed in the name of the successor Person with such changes in phraseology and form as may be appropriate, but otherwise in substance of like tenor as the Securities surrendered for such exchange and of like principal amount; and the Trustee, upon Company Request of the successor Person, shall authenticate and deliver Securities as specified in such request for the purpose of such exchange. If Securities shall at any time be authenticated and delivered in any new name of a successor Person pursuant to this Section in exchange or substitution for or upon registration of transfer of any Securities, such successor Person, at the option of the Holders but without expense to them, shall provide for the exchange of all Securities at the time Outstanding for Securities authenticated and delivered in such new name.

Section 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like aggregate principal amount of definitive Securities of authorized denominations. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept, at an office or agency to be maintained by the Company in accordance with Section 1002, a register (the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The Trustee is hereby initially appointed "Security Registrar" for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided.

Upon due surrender for registration of transfer of any Registered Security at the office or agency of the Company maintained for such purpose in the Place of Payment or Chicago, Illinois, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of any authorized denomination or denominations of a like aggregate principal amount.

At the option of the Holder, Registered Securities may be exchanged for other Registered Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee or any transfer agent) be duly endorsed, or be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Security Registrar or any transfer agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

In the event of any redemption in part, the Company shall not be required (i) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the selection of Securities for redemption, and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Securities to be redeemed, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute, and the Trustee shall authenticate and deliver in exchange therefor, a new Security of like tenor and principal amount, bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall, subject to the following paragraph, execute, and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that

may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and any such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 307. Payment of Interest; Interest Rights Preserved.

Interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Registered Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at

the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Securities at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Registered Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. Persons Deemed Owners.

Prior to the due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of (and premium, if any, on) and (subject to Sections 305 and 307) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be

authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be destroyed unless otherwise directed by a Company Order.

Section 310. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE FOUR

Satisfaction and Discharge

Section 401. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture (including, without limitation, the provisions of Article Thirteen), when

(1) either

(a) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust with the Trustee or any Paying Agent or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(b) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of

redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee solely for the benefit of the Holders of Securities an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be, as trust funds in trust for such purpose;

(2) the Company has irrevocably paid or caused to be irrevocably paid all other sums payable hereunder by the Company;

(3) the deposit of money in accordance with this Section 401 shall not be prohibited by the provisions of Article Thirteen hereof at the time of such deposit; and

(4) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 606 and to any Authenticating Agent under Section 612 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003, shall survive any termination of this Indenture.

Section 402. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal of (and premium, if any, on), and interest on the Securities for whose payment such money has been deposited with the Trustee. Money so held in trust shall not be subject to the provisions of Article Thirteen.

ARTICLE FIVE

Remedies

Section 501. Events of Default.

"Event of Default", wherever used herein with respect to Securities, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest on any Security when it becomes due and payable, and continuance of such default for a period of 30 days whether or not such payment shall be prohibited by the provisions of Article Thirteen hereof; or

(2) default in the payment of the principal of (or premium, if any, on) any Security at its Maturity, upon acceleration, redemption or when otherwise due and payable, whether or not such payment shall be prohibited by the provisions of Article Thirteen hereof; or

(3) default in the payment of any redemption payment on any Security when it becomes due and payable, and continuance of such default for a period of 30 days whether or not such payment shall be prohibited by the provisions of Article Thirteen hereof; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a default in the performance, or breach, of a covenant or warranty which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company and the Agent Bank by the Trustee or to the Company, the Trustee and the Agent Bank by the Holders of at least 25% in principal amount of the Outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any Subsidiary of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or any such Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or

in respect of the Company or any such Subsidiary under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any such Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; provided that, in the case of any such Subsidiary, the entry of such a decree or order shall not constitute an Event of Default under this Section 501(5) unless the claims of such Subsidiary's creditors shall, in the aggregate, be in excess of $100,000,000; or

(6) the commencement by the Company or any Subsidiary of the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company or any such Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or any such Subsidiary or of any substantial part of its property, or the making by it of an assignment for the property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due or the taking of corporate action by the Company or any such Subsidiary in furtherance of any such action; provided that, in the case of any such Subsidiary, none of the foregoing actions shall constitute an Event of Default under this Section 501(6) unless the claims of such Subsidiary's creditors shall, in the aggregate, be in excess of $100,000,000.

Section 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities at the time Outstanding (other than an Event of Default specified in Section 501(5) or 501(6)) occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Securities Outstanding may, and the Trustee at the request of such Holders shall, declare due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders) and, if any Credit Agreement is in effect, to the Agent Bank, the unpaid principal of (and premium, if any) and accrued interest in respect of each Securities then Outstanding (the "Default Amount"). Upon any such declaration, the Default Amount shall become due and payable on all Outstanding Securities (i) if no Credit Agreement is in effect, immediately, or (ii) if any Credit Agreement is in effect, upon the first to occur of (a) an

acceleration under such Credit Agreement (written notice of which the Company shall give to the Trustee as promptly as practicable upon the occurrence thereof, provided, however, that the Trustee shall not be deemed to have knowledge of such acceleration unless and until it receives such written notice) or (b) the fifth Business Day after receipt by the Company and the Agent Bank of written notice of such declaration unless (in the absence of an acceleration under the Credit Agreement) on or prior to such fifth Business Day the Company shall have discharged the indebtedness, if any, that is the subject of such Event of Default or otherwise cured the default relating to such Event of Default and shall have given written notice of such discharge or cure to the Trustee and the Agent Bank. Notwithstanding any other provision of Section 502, if an Event of Default specified in Section 501(5) or 501(6) occurs, then the Default Amount on the Securities then Outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to Securities has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Securities Outstanding, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company (without violating the provisions of Article Thirteen hereof) has paid or deposited with the Trustee a sum sufficient to pay,

(A) all overdue interest on all Securities,

(B) the principal of (and premium, if any, on) any Securities which has become due otherwise than by such declaration of acceleration and interest thereon at the rate prescribed therefor in such Securities,

(C) to the extent that payment of such interest is lawful, interest on overdue interest at the rate prescribed therefor in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to the Securities, other than the non-payment of the principal of (or premium, if any, on) or interest on Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503. Collection of Obligations and Suits for Enforcement by Trustee.

The Company covenants that if

(a) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest and, the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default occurs with respect to Securities and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of a Security to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 606.

Subject to Article Eight and Section 902, nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of a Security any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any such Holder thereof or to authorize the Trustee to vote in respect of the claim of any such Holder in any such proceeding.

Section 505. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the

ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 506. Application of Money Collected.

Subject to Article Thirteen, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee hereunder, including under Section 606;

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any, on,) and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

Section 507. Limitation on Suits.

No Holders of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee an indemnity, reasonably satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority or more in principal amount of the Outstanding Securities;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Section 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any, on) and (subject to Section 307) interest on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies.

If the Trustee or any Holder of a Security has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders of Securities shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of Securities may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Securities, as the case may be.

Section 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee may refuse to follow any direction which, in the opinion of Counsel to the Trustee, is unduly prejudicial to other Holders of Securities or would subject the Trustee to personal liability.

Section 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of (or premium, if any, on) or interest on any Security, or

(2) in respect of a provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default with respect to Securities arising therefrom shall be deemed to have been cured, for

every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 514. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

The Trustee

Section 601. Notice of Defaults.

Within 90 days after the occurrence of any Default hereunder with respect to the Securities, the Trustee shall transmit, in the manner and to the extent provided in TIA Section 313(c), notice of such Default hereunder known to the Trustee, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of the principal of (or premium, if any, on) or interest on any Security or in the payment of any sinking fund installment with respect to Securities, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities; and provided further, that in the case of any Default or breach of the character specified in Section 501(4) with respect to Securities, no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

Section 602. Certain Rights of Trustee.

The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. Subject to the provisions of TIA Sections 315(a) through 315(d):

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order or as otherwise expressly provided herein and any resolution of the Board of Directors of the Company may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled upon reasonable notice and at reasonable times during normal business hours

to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall be liable for its negligence, bad faith or willful misconduct;

(i) the Trustee shall not be required to give any note or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises; and

(j) except for (i) a default under Section 501(1), (2) or (3) hereof and (ii) any other event of which the Trustee has "actual knowledge," which event, with the giving of notice or the passage of time or both, would constitute an Event of Default, the Trustee shall not be deemed to have notice of any default or event unless specifically notified in writing of such event by the Company or the Holders of not less than 25% in aggregate principal of Securities Outstanding; as used herein, the term "actual knowledge" means the actual fact or statement of knowing, without any duty to make any investigation without regard thereto.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 603. Trustee Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities (except for the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 604. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to TIA Sections 310(b) and 311, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

Section 605. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 606. Compensation, Reimbursement and Indemnification of Trustee.

The Company agrees:

(a) to pay to the Trustee or any predecessor Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee or any predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee or such predecessor Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee or any predecessor Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, including the enforcement of this Section 606.

As security for the performance of such obligations of the Company under this Section, the Trustee shall have a claim prior to the Securities upon all property and funds

held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any, on) or interest, if any, on particular Securities.

When the Trustee incurs expenses or renders services after a Default specified in Section 501(5) or 501(6) occurs, the reasonable expenses and the compensation for services (including the reasonable fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any bankruptcy law.

Section 607. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under TIA Section 310(a)(1) and shall have a combined capital and surplus of at least $50,000,000 and its Corporate Trust Office in The City of New York or The City of Chicago. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of a federal, state, territorial or District of Columbia supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 608. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 609.

(b) The Trustee may resign at any time with respect to the Securities by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 609 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities.

(c) The Trustee may be removed at any time with respect to the Securities by (i) the Company, by a Board Resolution, or (ii) Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with TIA Section 310(b) after written request therefor by the Company or by any Holder of a Security who for at least six months has been a bona fide Holder of a Security, or

(2) the Trustee shall cease to be eligible under Section 607 hereof and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee with respect to the Securities, or (ii) subject to TIA Section 315(e), any Holder of a Security who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to the Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 609. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 609, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders of Securities and accepted appointment in the manner required by Section 609, any Holder of a Security who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities and each appointment of a successor Trustee with respect to the Securities in the manner provided for in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Section 609. Acceptance of Appointment by Successor.

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 610. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities; and in case at that time any of the Securities shall not have been authenticated, any successor Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 611. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents (which may be an Affiliate or Affiliates of the Company) with respect to the Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities issued upon original issue or upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of such Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall promptly give notice of such appointment to all Holders of Securities pursuant to Section 106. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become

vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment is made pursuant to this Section, the Securities may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities referred to in the within-mentioned Indenture.

HARRIS TRUST AND SAVINGS BANK,
as Trustee

By:
---
as Authenticating Agent

By:

Authorized Signatory

If all of the Securities may not be originally issued at one time, and the Trustee does not have an office or agency capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 102 and need not be accompanied by an Opinion of Counsel), shall appoint in accordance with this Section an Authenticating Agent (which, if so requested by the Company, shall be an Affiliate of the Company) having an office or agency in a Place of Payment designated by the Company with respect to such series of Securities, provided that the terms and conditions of such appointment are acceptable to the Trustee.

ARTICLE SEVEN

Holders' Lists and Reports by Trustee and Company

Section 701. Disclosure of Names and Addresses of Holders.

Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that none of the Company or the Trustee or any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with TIA Section 312, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under TIA Section 312(b).

Section 702. Reports by Trustee.

Within 60 days after July 15 of each year commencing with the July 15 occurring after the initial issuance of Securities hereunder, the Trustee shall transmit by mail to the Holders of Securities, in the manner and to the extent provided in TIA Section 313(c), and to the Company a brief report dated as of such July 15 which satisfies the requirements of TIA Section 313(a).

Section 703. Reports by Company.

The Company shall:

(a) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then the Company shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations; and

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional

information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations.

The Trustee shall transmit, within 30 days after the filing thereof with the Trustee, to the Holders of Securities, in the manner and to the extent provided in TIA Section 313(c), such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer or Lease

Section 801. Company May Consolidate, Etc.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) in case the Company shall consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (the "Surviving Person") shall be a corporation, partnership or trust organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Surviving Person, the Company or any Subsidiary as a result of such transaction as having been incurred by the Surviving Person, the Company or such Subsidiary at the time of such transaction, no Event of Default shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officer's Certificate, stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such

supplemental indenture, shall comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

For purposes of this Section 801, "convey, transfer or lease its properties and assets substantially as an entirety" shall mean properties and assets contributing in the aggregate at least 80% of the Company's total revenues as reported in the Company's last available periodic financial report (quarterly or annual, as the case may be) filed with the Commission.

Section 802. Successor Substituted.

Upon any consolidation of or merger by the Company with or into any other Person, or any conveyance, transfer or lease of the properties and assets substantially as an entirety to any Person in accordance with Section 801, the Surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if the Surviving Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE NINE

Supplemental Indentures

Section 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders of Securities, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company contained herein and in the Securities in accordance with Article Eight hereof; or

(2) to add to the covenants of the Company for the benefit of the Holders of (if necessary) Securities or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities pursuant to the requirements of Section 609; or

(5) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; provided that such action shall not adversely affect the interests of the Holders of Securities in any material respect.

Section 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, or the terms of any sinking fund or analogous payment with respect to, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this Indenture with respect to the subordination of the Securities in a manner adverse to any Holder of any Securities, or

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with any provisions of this Indenture or defaults hereunder and their consequences) provided for in this Indenture, or reduce the requirements of Section 1604 for quorum or voting, or

(3) modify any of the provisions of this Section or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

It shall not be necessary for any Act of Holders of Securities under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures.

In executing any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to the Article shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

Section 907. Effect on Senior Obligations.

No supplemental indenture shall adversely affect the rights of the holders of Senior Obligations of the Company under Article Thirteen without the consent of the representative of such holders.

ARTICLE TEN

Covenants

Section 1001. Payment of Principal, Premium, if any, and Interest.

The Company covenants and agrees for the benefit of the Holders of Securities that it will duly and punctually pay the principal of (and premium, if any, on) and interest on the Securities in accordance with the terms of such Securities and this Indenture.

Section 1002. Maintenance of Office or Agency.

The Company will maintain in each Place of Payment, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served, which agency initially shall be the agency of the Trustee at 77 Water Street, New York, New York 10005. The Company will give prompt notice to the Trustee and give prompt notice to the Holders as provided in Section 106 of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders of Securities may be made and, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in accordance with the requirements set forth above for Securities for such purposes. The Company will give prompt written notice to the Trustee and the Holders of any such designation or rescission and of any change in the location of any such other office or agency.

Section 1003. Money for Security Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (and premium, if any, on) or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Securities, it will, prior to each due date of the principal of (and premium, if any, on) or any interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or any interest so becoming due, such sum of money to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of such action or any failure so to act.

The Company will cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums of money for the payment of the principal of (and premium, if any, on) or interest on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (and premium, if any) or interest on the Securities; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums of money held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any, on) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security thereafter shall, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money held in trust, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper published in each Place of Payment, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 1004. Corporate Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence, rights (charter and statutory) and franchises of the Company; provided, however, that the Company shall not be required to preserve any such right or franchise if its Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders of the Securities.

Section 1005. Compliance Certificate.

(a) The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 1005(a), such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

(b) The Company will, so long as any of the Securities are outstanding, deliver to the Trustee, as promptly as practicable upon any officer listed in (a) above becoming aware of (i) any Default, Event of Default or default in the performance of any covenant, agreement or condition contained in this Indenture or (ii) any event of default under any evidence of Senior Obligations of the Company or any Subsidiary (other than with respect to Senior Obligations in the principal amount of less than $100,000,000), an Officer's Certificate specifying such Default, Event of Default or default and what action the Company is taking or proposes to take with respect thereto and the status thereof.

ARTICLE ELEVEN

Redemption of Securities

Section 1101. Applicability of Article.

The Securities may be redeemed, at the election of the Company, as a whole or from time to time in part, at any time after [the fifth anniversary of the Effective Time], in accordance with their terms and in accordance with this Article.

Section 1102. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by an Officer's Certificate. In case of any redemption at the election of the Company of less than all the Securities, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, and of the principal amount of Securities to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction of such redemption provided in the terms of such Securities or elsewhere in this Indenture or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction or condition.

Section 1103. Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities are to be redeemed, the particular Securities to be redeemed shall be selected not more than 45 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption, by such method as the Trustee shall deem fair and appropriate, provided such method complies with the rules of any national securities exchange or quotation system on which the Securities are then listed, and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities or any integral multiple thereof) of the principal of Registered Securities; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Security not redeemed to less than $1,000.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Securities shall relate, in the case of any Securities

redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

Section 1104. Notice of Redemption.

Notice of redemption shall be given in the manner provided for in Section 106 to the Holders of Securities to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all Outstanding Securities are to be redeemed, the identification (and, in the case of a partial redemption, the principal amounts) of the particular Securities to be redeemed,

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, and that interest thereon will cease to accrue on and after said date, and

(5) the place or places which must include the applicable Place or Places of Payment where such Securities are to be surrendered for payment of the Redemption Price.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 1105. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money in the currency in which the Securities are payable sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

Section 1106. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest, to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 1107. Securities Redeemed in Part.

Any Registered Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Registered Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE TWELVE

Defeasance and Covenant Defeasance

Section 1201. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may, at its option by Officer's Certificate, at any time, with respect to the Securities, elect to have either Section 1202 (if applicable) or Section 1203 (if applicable) be applied to all Outstanding Securities upon compliance with the conditions set forth below in this Article Twelve.

Section 1202. Defeasance and Discharge.

Upon the Company's exercise of the above option applicable to this Section and subject to Section 1205, the Company shall be deemed to have been discharged from its obligations with respect to all Outstanding Securities on and after the date the conditions precedent set forth below are satisfied but subject to satisfaction of the conditions subsequent set forth below (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of Outstanding Securities to receive, solely from the trust fund described in Section 1204 and as more fully set forth in such Section, payments of the principal of (and premium, if any, on) and interest on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002 and 1003 and such obligations as shall be ancillary thereto, (C) the rights, powers, trusts, duties and immunities and other provisions in respect of the Trustee hereunder and (D) this Article Twelve. Subject to compliance with this Article Twelve, the Company may exercise its option under this Section 1202 notwithstanding the prior exercise of its option under Section 1203 with respect to the Securities. Following a defeasance, payment of the Securities may not be accelerated because of an Event of Default.

Section 1203. Covenant Defeasance.

Upon the Company's exercise of the above option applicable to this Section, the Company shall be released from its obligations under any covenant contained in Section 801 and in Section 1005 with respect to the Outstanding Securities on and after the date the conditions precedent set forth below are satisfied but subject to satisfaction of the conditions subsequent set forth below (hereinafter, "covenant defeasance"). For this purpose, such covenant defeasance means that, with respect to the Outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, but the remainder of this Indenture and such Securities shall be unaffected thereby. Following a covenant defeasance, payment of the Securities may not be accelerated because of an Event of Default solely by reference to such Sections specified above in this Section 1203.

Section 1204. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions precedent or, as specifically noted below, subsequent to application of either Section 1202 or Section 1203 to the Outstanding Securities:

(1) The Company shall have irrevocably deposited or caused to be irrevocably deposited with the Trustee (or another trustee satisfying the requirements of Section 607 who shall agree to comply with the provisions of this Article Twelve applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for the benefit of, and dedicated solely to, the Holders of such Securities, (A) money in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (or other qualifying trustee), to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (i) each installment of the principal of (and premium, if any, on) and interest on the Outstanding Securities to Stated Maturity of each such installment of principal or interest on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities and (ii) any mandatory sinking fund payments or analogous payments applicable to the Outstanding Securities on the due dates thereof. Before such a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article Eleven which shall be given effect in applying the foregoing. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended), as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

(2) No Event of Default, or event which after notice or lapse of time, or both, would become an Event of Default with respect to the Securities, shall have occurred and be continuing (A) on the date of such deposit or (B) insofar as paragraphs (5) and (6) of Section 501 hereof are concerned, at any time during the period ending on the 91st day after the date of such deposit or, if longer, ending on the day following the expiration of the longest preference period applicable to the Company in respect of such deposit (it being understood that the condition in this clause (B) is a condition subsequent and shall not be deemed satisfied until the expiration of such period).

(3) Such defeasance or covenant defeasance shall not (A) cause the Trustee for the Securities to have a conflicting interest as defined in TIA Section 310(b) or otherwise for purposes of the Trust Indenture Act with respect to any securities of the Company or (B) result in the trust arising from such deposit to constitute, unless it is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended.

(4) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound.

(5) Such defeasance or covenant defeasance shall not cause any Securities then listed on any registered national securities exchange under the Exchange Act to be delisted.

(6) In the case of an election under Section 1202, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(7) In the case of an election under Section 1203, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(8) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent and subsequent provided for in this Indenture relating to either the defeasance under Section 1202 or the covenant defeasance under Section 1203 (as the case may be) have been complied with.

Section 1205. Deposited Money and U.S. Government Obligations to Be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 1204 in respect of the Outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (but not including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Securities, of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law. Without limiting the generality of the preceding sentence, such money, U.S. Government Obligations and proceeds shall not be subject to the provisions of Article Thirteen.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the money or U.S. Governmental Obligations deposited pursuant to Section 1204 or the principal and interest received in respect thereof.

Anything in this Article Twelve to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1204 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance or to pay accrued and unpaid Trustee's fees and reasonable expenses, provided that the Trustee shall not be required to liquidate any U.S. Government Obligations in order to comply with the provisions of this paragraph.

Section 1206. Reinstatement.

Anything herein to the contrary notwithstanding, if and to the extent the deposited money or U.S. Government Obligations (or the proceeds thereof) either (i) cannot be applied by the Trustee in accordance with this Section because of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application or (ii) are for any reason insufficient in amount, then (x) the Company's

obligations to pay principal of and any premium and interest on the Securities shall be reinstated to the extent necessary to cover the deficiency on any due date for payment and (y) in the case of a covenant defeasance under Section 1203, the Company's obligations under Sections 801 and 1005 shall be reinstated unless and until all deficiencies on any due date for payment are covered. In any case specified in clause (i), the Company's interest in the deposited money and U.S. Government Obligations (and proceeds thereof) shall be reinstated to the extent the Company's payment obligations are reinstated.

ARTICLE THIRTEEN

Subordination of Securities

Section 1301. Securities Subordinate to Senior Obligations.

The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article (subject to the provisions of Article Four and Article Twelve), the indebtedness represented by the Securities and the payment of the principal of (and premium, if any, on) and interest on each and all of the Securities are hereby expressly made subordinate and subject in right of payment as provided in this Article to the prior payment in full of all Senior Obligations of the Company.

Section 1302. Payment over of Proceeds upon Dissolution, Etc.

In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets or liabilities of the Company, then and in any such event the holders of Senior Obligations of the Company shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Obligations of the Company, or provision shall be made for such payment in cash, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character on account of principal of (or premium, if any, on) or interest on the Securities, and to that end the holders of Senior Obligations of the Company shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Securities, which may be payable or

deliverable in respect of the Securities in any such case, proceedings, dissolution, liquidation or other winding up or event.

In the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security shall have received any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Securities, before all Senior Obligations of the Company are paid in full or payment thereof provided for, then and in such event such payment or distribution shall be held for the benefit of, and upon receipt by the Trustee of the notice set forth in Section 1309, shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Senior Obligations of the Company remaining unpaid, to the extent necessary to pay all Senior Obligations of the Company in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Obligations of the Company.

For purposes of this Article only, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which are subordinated in right of payment to all Senior Obligations of the Company which may at the time be outstanding to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of its properties and assets substantially as an entirety to another Person upon the terms and conditions set forth in Article Eight shall not be deemed a dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of the Company for the purposes of this Section if the Surviving Person as a part of such consolidation, merger, conveyance or transfer, complies with the conditions set forth in Article Eight.

Section 1303. No Payment When Senior Obligations in Default.

If (a) in the event and during the continuation of any default in the payment of principal of (or premium, if any) or interest on any Senior Obligations of the Company beyond any applicable grace period with respect thereto, or in the event that any nonpayment event of default with respect to any Senior Obligations of the Company shall have occurred and be continuing and shall have resulted in such Senior Obligations of the Company becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, or (b) in the event that any other nonpayment event of default

with respect to any Senior Obligations of the Company shall have occurred and be continuing permitting the holders of such Senior Obligations of the Company (or a trustee on behalf of the holders thereof) to declare such Senior Obligations of the Company due and payable prior to the date on which it would otherwise have become due and payable, then no payment, direct or indirect (including any payment which may be payable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Securities), shall be made by the Company on account of principal of (or premium, if any) or interest on the Securities or on account of the purchase or redemption or other acquisition of Securities (x) in case of any payment or nonpayment event of default specified in (a), unless and until (A) such event of default shall have been cured or waived or shall have ceased to exist or such acceleration shall have been rescinded or annulled or (B) the Senior Obligations of the Company in respect of which such declaration of acceleration has occurred is discharged, (y) in case of any nonpayment event of default specified in (b), from the earlier of the dates the Company and the Trustee receive written notice of such event of default from an Agent Bank or any other representative of a holder of Senior Obligations of the Company until the earlier of (A) 180 days after such date and (B) the date, if any, on which the Senior Obligations of the Company to which such default relates are discharged or such default is waived by the holders of such Senior Obligations of the Company or otherwise cured (provided that further written notice relating to the same or any other nonpayment event of default specified in (b) above with respect to the same Senior Obligations of the Company received by the Company or the Trustee within 12 months after such receipt shall not be effective for purposes of this clause (y)) or (z) in case of any payment or nonpayment event of default specified in clause (a) or (b), as long as any judicial proceeding is pending with respect to such event.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section, then and in such event such payment shall be held for the benefit of, and upon receipt by the Trustee of the notice set forth in Section 1309, shall be paid over and delivered forthwith to the appropriate Agent Bank or other representative of such Senior Obligations of the Company, provided that in the event

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there are no outstanding Senior Obligations of the Company under any Credit Agreement, such payment shall be paid over and delivered to the Company, in each case for the benefit of the holders of Senior Obligations of the Company, and to the extent of any such payment over the rights and remedies of the Trustee and the Holders of Securities, and the obligations of the Company, shall be reinstated in full force and effect as if such payment by the Company to the Trustee or such Holders had never been made.

The provisions of this Section shall not apply to any payment with respect to which Section 1302 (without giving effect to the exclusion from the applicability of said Section contained in the last paragraph thereof) would be applicable. Nothing in this Section 1303 shall apply to amounts received by the Trustee for its own account.

Section 1304. Payment Permitted if No Default.

Nothing contained in this Article or elsewhere in this Indenture or in any of the Securities shall prevent the Company, at any time except during the pendency of any case, proceeding, dissolution, liquidation or other winding up, assignment for the benefit of creditors or other marshalling of assets and liabilities of the Company referred to in Section 1302 or under the conditions described in Section 1303, from making payments at any time of principal of (and premium, if any, on) or interest on the Securities or from making the deposits contemplated by Section 401 or Section 1204 hereof.

Section 1305. Subrogation to Rights of Holders of Senior Obligations.

Subject to the payment in full of all Senior Obligations of the Company, the Holders of the Securities shall be subrogated to the rights of the holders of such Senior Obligations of the Company to receive payments and distributions of cash, property and securities applicable to the Senior Obligations of the Company until the principal of (and premium, if any, on) and interest on the Securities shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of Senior Obligations of the Company of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article, and no payments pursuant to the provisions of this Article to the holders of Senior Obligations of the Company by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Obligations of the Company, and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Obligations of the Company.

Section 1306. Provisions Solely to Define Relative Rights.

The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Obligations of the Company on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as among the Company, its creditors and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any, on) and interest on the Securities as and when the same shall become due and payable in accordance with their terms; (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than the holders of Senior Obligations of the Company; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article, of the holders of Senior Obligations of the Company (i) in any case, proceeding, dissolution, liquidation or other winding up, assignment for the benefit of creditors or other marshalling of assets and

liabilities of the Company referred to in Section 1302, to receive, pursuant to and in accordance with such Section, cash, property and securities otherwise payable or deliverable to the Trustee or such Holder, or (ii) under the conditions specified in Section 1303, to prevent any payment prohibited by such Section.

Section 1307. Trustee to Effectuate Subordination.

Each Holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes.

Section 1308. No Waiver of Subordination Provisions.

(a) No right of any present or future holder of any Senior Obligations of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

(b) Without in any way limiting the generality of paragraph (a) of this Section, the holders of Senior Obligations of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Senior Obligations of the Company, do any one or more of the following: (1) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Obligations of the Company, or otherwise amend or supplement in any manner Senior Obligations of the Company or any instrument evidencing the same or any agreement under which Senior Obligations of the Company are outstanding; (2) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Obligations of the Company; (3) release any Person liable in any manner for the collection of Senior Obligations of the Company; and (4) exercise or refrain from exercising any rights against the Company and any other Person.

Section 1309. Notice to Trustee.

(a) The Company shall give prompt written notice to the Trustee and the Agent Bank of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities pursuant to the provision of this Article. The Company shall also furnish to the Agent Bank copies of all notices provided to

the Trustee pursuant to Section 703. Notwithstanding the provisions of this Article or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities pursuant to the provisions of this Article, unless and until the Trustee shall have received written notice thereof from the Company, any Agent Bank or holder of Senior Obligations of the Company or from any trustee therefor, and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of TIA Sections 315(a) through 315(d), shall be entitled in all respects to assume that no such facts exist; provided, however, that, if the Trustee shall not have received the notice provided for in this Section at least three Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any, on) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it within three Business Days prior to such date.

(b) Subject to the provisions of TIA Sections 315(a) through 315(d), the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Obligations of the Company (or a trustee therefor) to establish that such notice has been given by a holder of Senior Obligations of the Company (or a trustee therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Obligations of the Company to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Obligations of the Company held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and if such evidence is not furnished, the Trustee and any Agent Bank may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 1310. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of TIA Sections 315(a) through 315(d), and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the

Persons entitled to participate in such payment or distribution, the holders of Senior Obligations of the Company and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article.

Section 1311. Rights of Trustee as a Holder of Senior Obligations; Preservation of Trustee's Rights.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Obligations of the Company which may at any time be held by it, to the same extent as any other holder of Senior Obligations of the Company, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article shall apply to claims of, or payments to, the Trustee under or pursuant to Section 606.

Section 1312. Article Applicable to Paying Agents.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; provided, however, that Section 1311 shall not apply to the Company or any Affiliates of the Company if it or such Affiliate acts as Paying Agent.

Section 1313. Trustee Not Fiduciary for Holders of Senior Obligations.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Obligations of the Company and shall not be liable to any such holders if it shall in good faith mistakenly pay over to distribute to Holders of Securities or to any other Person cash, property or securities to which any holders of Senior Obligations of the Company shall be entitled by virtue of this Article or otherwise.

Section 1314. No Suspension of Remedies.

Nothing contained in this Article shall limit the right of the Trustee or the Holders of Securities to take any action to accelerate the maturity of the Securities pursuant to Article Five or to pursue any rights or remedies hereunder or under applicable law, except as provided in Article Five.

Section 1315. Article Thirteen Not to Prevent Events of Default.

The failure to make payment pursuant to the Securities by reason of any provision in this Article Thirteen shall not be construed as preventing the occurrence of a Default or an Event of Default.

Section 1316. Notices to Agent Bank.

Any notice or communication by the Company or the Trustee to any Agent Bank is duly given if in writing and mailed by first-class mail, postage prepaid, or delivered in person or by telex, telecopies or overnight air courier guaranteeing next day delivery to such Agent Bank at the address set forth on Schedule I hereto, as such schedule may hereafter be amended from time to time. Any Agent Bank by notice to the Company and the trustee pursuant to Section 105 may designate additional or different addresses for subsequent notices or communications. All notices and communications to any Agent Bank shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

If a notice or communication is given in the manner provided above within the time prescribed, it is duly given, whether or not the Agent Bank receives it. Notwithstanding any provisions of this Indenture to the contrary, the Trustee shall have no liability to any Agent Bank based on or arising from the failure to receive any notice required by or relating to this Indenture or the Securities.

Section 1317. Restriction on Amendment of Indenture.

No amendment, modification, waiver or change of any kind, by supplemental indenture or otherwise, may be made with respect to any provision of the Indenture which would adversely affect the holders of the Company's indebtedness under any Credit Agreement or would expand the definition of Senior Obligations of the Company or would amend this Section 1317 of the Indenture without, in each case, the prior written consent of a majority of the Banks affected thereby.

The Company and the Trustee shall give the Agent Bank written notice within 20 days of receipt of a Company Request instructing the Trustee to enter into any such amendment, modification, waiver or change of any kind, by supplemental indenture or otherwise, and, if the Agent Bank does not object within 20 days of receipt of such notice, the Trustee shall be entitled to conclude that such amendment, modification, waiver, change or supplemental indenture does not adversely affect the holders of the Company's indebtedness under any Credit Agreement.

Section 1318. Inapplicability of This Article Thirteen to Certain Trustee Monies and Certain Payments.

The subordination of the Securities provided by this Article Thirteen is expressly made subject to the provisions of Section 402 and the provisions of defeasance or covenant defeasance in Article Twelve and, anything herein to the contrary notwithstanding, the provisions of this Article Thirteen shall not apply to any money, U.S. Government Obligations or proceeds thereof held in trust by the Trustee pursuant to Article Four or Article Twelve.

ARTICLE FOURTEEN

Exchange of Initial Securities

Section 1401. Right to Exchange.

The Company may, at its option, on or after the earlier of (i) January 1, 1995, but only if the Blockbuster Merger has not been consummated by such date, and (ii) the acquisition by a third party of beneficial ownership of a majority of the outstanding voting securities of Blockbuster Entertainment Corporation, exchange the Initial Securities, in whole but not in part, for shares of the Company's Series C Preferred Stock. Holders of Initial Securities so exchanged will be entitled to receive one fully paid and nonassessable share of Series C Preferred Stock for each $50 in principal amount of Initial Securities. At the time of the exchange of the Series C Preferred Stock for the Securities, all accrued and unpaid interest on the Securities will not be paid and dividends on the Series C Preferred Stock will be deemed to have accrued from the later of the Effective Time and the latest date through which interest has been paid on the Securities, the Holders of such exchanged Initial Securities shall cease to have any further rights with respect thereto on the Initial Exchange Date, other than the right to receive the Series C Preferred Stock and the accrued and unpaid dividends on the Series C Preferred Stock, and the person or persons entitled to receive the Series C Preferred Stock issuable upon exchange shall be treated as the registered Holder or Holders of such Series C Preferred Stock.

Section 1402. Election to Exchange; Notice to Trustee.

The election of the Company to exchange the Initial Securities shall be evidenced by an Officer's Certificate. The Company shall, at least 70 days prior to the Initial Exchange Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Initial Exchange Date.

Section 1403. Notice of Exchange.

Notice of exchange (the "Exchange Notice") shall be given in the manner provided for in Section 106 not less than 30 nor more than 60 days prior to the Initial Exchange Date, to each Holder of Initial Securities to be exchanged; provided, however, that neither any failure to give such notice nor any deficiency therein shall affect the validity of the procedure for the exchange of any Initial Securities except as to the Holder or Holders to whom the Company has failed to give said notice or except as to the Holder or Holders whose notice was defective. The Exchange Notice shall state:

(A) the Initial Exchange Date;

(B) that the Holder is to surrender to the Company, in the manner and at the place designated, his certificate or certificates representing the Initial Securities held by him; and

(C) that interest on the Initial Securities to be exchanged will cease to accrue on the Initial Exchange Date and that no accrued interest will be paid.

Notice of exchange of the Initial Securities shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 1404. Procedure for Exchange.

On or before the Initial Exchange Date, each Holder shall surrender the certificate or certificates representing such Initial Securities to the Company, in the manner and at the place designed in the Exchange Notice, and on the Initial Exchange Date the person whose name appears on such certificate or certificates as the owners of such Initial Securities shall receive the amount of Series C Preferred Stock described in Section 1401, and each surrendered certificate shall be cancelled and retired.

Dividends on the Series C Preferred Stock will be deemed to have accrued from the Effective Time and no accrued interest will be paid with respect to the Initial Securities, and the Holders of such exchanged Initial Securities shall cease to have any further rights with respect thereto on the Initial Exchange Date, other than the right to receive the Series C Preferred Stock and the accrued and unpaid dividends on the Series C Preferred Stock.

ARTICLE FIFTEEN

Meetings of Holders of Securities

Section 1501. Purposes for Which Meetings May Be Called.

A meeting of Holders of Securities may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities.

Section 1502. Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders of Securities for any purpose specified in Section 1501, to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine. Notice of every meeting of Holders of Securities, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least [10%] in aggregate principal amount of the Outstanding Securities shall have requested the Trustee to call a meeting of the Holders of Securities for any purpose specified in Section 1501, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

Section 1503. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities, a Person shall be (1) a Holder of one or more Outstanding Securities, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities by such Holder or Holders. The only Persons who shall be entitled to be present or speak at any meeting of Holders of Securities shall be Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 1504. Quorum; Action.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities shall constitute a quorum for a meeting of Holders of Securities; provided, however, that if any action is to be taken at such meeting with respect to a consent, waiver, request, demand, notice, authorization, direction or other action which may be given by the Holders of not less than a specified percentage in principal amount of the Outstanding Securities, the Persons holding or representing such specified percentage in principal amount of the Outstanding Securities will constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1502(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities which shall constitute a quorum.

Except as limited by the proviso to the first paragraph of Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities, provided, however, that, except as limited by the proviso to the first paragraph of Section 902, any resolution with respect to any consent, waiver, request, demand, notice, authorization, direction or other action which this Indenture expressly provides may be given by the Holders of not less than a specified percentage in principal amount of the Outstanding Securities may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid only by the affirmative vote of the Holders of a not less than such specified percentage in principal amount of the Outstanding Securities.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities whether or not present or represented at the meeting.

Section 1505. Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of

Securities in regard to proof of the holding of Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1502(b), in which case the Company or the Holders of Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities represented at the meeting.

(c) At any meeting each Holder of a Security or proxy shall be entitled to one vote for each $1,000 principal amount of the Outstanding Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(d) Any meeting of Holders of Securities duly called pursuant to Section 1502 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities represented at the meeting; and the meeting may be held as so adjourned without further notice.

Section 1506. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders of Securities shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Securities shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1502 and, if applicable, Section 1504. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have

attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

This Indenture may be signed in any number of counterparts each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

VIACOM INC.

By

Title:

Attest:

Title:

HARRIS TRUST AND SAVINGS BANK

By

Title:

Attest:

Title:

Schedule I

Notices to Agent Bank(s)

Name	Address

VIACOM INC.

TO

HARRIS TRUST AND SAVINGS BANK,

Trustee

CONTINGENT VALUE RIGHTS
AGREEMENT

Dated as of

TABLE OF CONTENTS

Note: This table of contents shall not, for any purpose, be deemed to be a part of this Agreement.

AGREEMENT, dated as of _____, 1994, between VIACOM INC., a Delaware corporation (hereinafter called the "Company"), and HARRIS TRUST AND SAVINGS BANK, trustee (hereinafter called the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, the Company has duly authorized the creation of an issue of contingent value rights (hereinafter called the "CVRs"), of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Agreement;

WHEREAS, pursuant to the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994 (the "Merger Agreement"), among the Company, Viacom Sub Inc. (the "Merger Subsidiary") and Paramount Communications Inc., a Delaware corporation ("Paramount"), the Company has agreed to issue and deliver to stockholders of Paramount, among other securities, 0.93065 of a CVR for each share of common stock, par value $1.00 per share, of Paramount ("Paramount Common Stock") issued and outstanding immediately prior to the effective time (the "Effective Time") of the merger of the Merger Subsidiary with and into Paramount (other than shares of Paramount Common Stock to be cancelled pursuant to Section 1.6(c) of the Merger Agreement and other than any Dissenting Shares (as defined in the Merger Agreement)); and

WHEREAS, all things necessary have been done to make the CVRs, when executed by the Company and authenticated and delivered hereunder, the valid obligations of the Company and to make this Agreement a valid agreement of the Company, in accordance with their and its terms.

NOW, THEREFORE, for and in consideration of the premises and the consummation of the transactions referred to above, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the CVRs, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(b) all accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" means such accounting principles as are generally accepted at the time of any computation;

(c) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein; and

(d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Four, are defined in that Article.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" means a person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person.

"Agreement" means this instrument as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof.

"Authorized Newspaper" means The Wall Street Journal (Eastern Edition), or if The Wall Street Journal (Eastern Edition) shall cease to be published, or, if the publication or general circulation of The Wall Street Journal (Eastern Edition) shall be suspended for whatever reason, such other English language newspaper as is selected by the Company with general circulation in The City of New York, New York.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day (other than a Saturday or a Sunday) on which banking institutions in The City of New York, New York or in the State of the principal office of the Trustee are not authorized or obligated by law or executive order to close and, if the CVRs are listed on a national securities exchange, such exchange is open for trading.

"Class B Common Stock" means the Class B Common Stock, par value $.01 per share, of the Company.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument, until a successor Person shall have become such pursuant to the applicable provisions of this Agreement, and thereafter "Company" shall mean such successor Person. To the extent necessary to comply with the requirements of the provisions of Trust Indenture Act Sections 310 through 317 as they are applicable to the Company, the term "Company" shall include any other obligor with respect to the CVRs for the purposes of complying with such provisions.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by the chairman of the Board of Directors, the president, any vice president, the controller, the treasurer, the secretary or any assistant secretary, and delivered to the Trustee.

"Control" (including the terms "controlled", "controlled by" and "under common control with") means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of stock or as trustee or executor, by contract or otherwise.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution of this Agreement is located at 311 West Monroe Street, Chicago, Illinois 60606.

"Current Market Value" has the meaning set forth in Section 301(g).

"CVR Certificate" means a certificate representing any of the CVRs.

"Default Amount" means the amount, if any, by which the Discounted Target Price exceeds the Minimum Price.

"Default Interest Rate" means 8% per annum.

"Default Payment Date" means the date upon which the CVRs become due and payable pursuant to Section 801.

"Discounted Target Price" means (i) if a Disposition or an Event of Default shall occur prior to the Maturity Date, $48.00 discounted from the Maturity Date back to the Disposition Payment Date or the Default Payment Date, as the case may be, at a per annum rate of 8%, (ii) if a Disposition or an Event of Default shall occur after the Maturity Date but prior to the First Extended Maturity Date, $51.00 discounted from the First Extended Maturity Date back to the Disposition Payment Date or Default Payment Date, as the case may be, at a per annum rate of 8% or (iii) if a Disposition or an Event of Default shall occur after the First Extended Maturity Date but prior to the Second Extended Maturity Date, $55.00 discounted from the Second Extended Maturity Date back to the Disposition Payment Date or Default Payment Date, as the case may be, at a per annum rate of 8%. In each case, upon each occurrence of an event specified in Section 301(k), such amounts, as they may have been previously adjusted, shall be adjusted pursuant to Section 301(k).

"Disposition" means (i) a merger, consolidation or other business combination involving the Company as a result of which no shares of Class B Common Stock shall remain outstanding, (ii) a sale, transfer or other disposition, in one or a series of transactions, of all or substantially all of the assets of the Company or (iii) a reclassification of Class B Common Stock as any other capital stock of the Company or any other Person; provided, however, that a "Disposition" shall not mean, or occur upon, a merger of the Company and any wholly owned subsidiary of the Company.

"Disposition Payment Date" has the meaning set forth in Section 301(e).

"Effective Time" has the meaning set forth in the Preamble.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"First Extended Maturity Date" means the second anniversary of the Effective Time.

"Holder" means a Person in whose name a CVR is registered in the Security Register.

"Independent Financial Expert" means an independent nationally recognized investment banking firm.

"Maturity Date" means the first anniversary of the Effective Time.

"Minimum Price" means (i) at the Maturity Date, $36.00, (ii) at the First Extended Maturity Date, $37.00 and (iii) at the Second Extended Maturity Date, $38.00. In each case, upon each occurrence of an event specified in Section 301(k), such amounts, as they may have been previously adjusted, shall be adjusted pursuant to Section 301(k).

"Officer's Certificate" means a certificate signed by the chairman of the Board of Directors, the president, any vice president, the controller, the treasurer, the secretary or any assistant secretary of the Company in his or her capacity as such an officer, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be General Counsel for the Company, and who shall be reasonably acceptable to the Trustee.

"Outstanding", when used with respect to CVRs means, as of the date of determination, all CVRs theretofore authenticated and delivered under this Agreement, except:

(a) CVRs theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) From and after the earlier of the Default Payment Date, the Disposition Payment Date, the Maturity Date or, in the event the Company shall extend the Maturity Date, the First Extended Maturity Date or, in the event the Company shall extend the First Maturity Date, the Second Extended Maturity Date, CVRs, or portions thereof, for whose payment cash or securities of the Company in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such CVRs; and

(c) CVRs in exchange for or in lieu of which other CVRs have been authenticated and delivered pursuant to this Agreement, other than any such CVRs in respect of which there shall have been presented to the Trustee proof satisfactory to it that such CVRs are held by a bona fide purchaser in whose hands the CVRs are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite Outstanding CVRs have given any request, demand, direction, consent or waiver hereunder, CVRs owned by the Company or any other obligor upon the CVRs or any affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, direction, consent or waiver, only CVRs which the Trustee knows to be so owned shall be so disregarded.

"Paying Agent" means any Person authorized by the Company to pay the amount determined pursuant to Section 301, if any, on any CVRs on behalf of the Company, which shall initially be Harris Trust Company of New York.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Responsible Officer", when used with respect to the Trustee, means any officer assigned to the Corporate Trust Office and also means, with respect to any particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Second Extended Maturity Date" means the third anniversary of the Effective Time.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Surviving Person" has the meaning set forth in Section 901.

"Target Price" means (a) at the Maturity Date, $48.00, (b) at the First Extended Maturity Date, $51.00 and (c) at the Second Extended Maturity Date, $55.00. In each case, upon each occurrence of an event specified in Section 301(k), such amounts, as they may have been previously adjusted, shall be adjusted pursuant to Section 301(k).

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this Agreement was executed, except as provided in Section 605.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Agreement, until a successor Trustee shall have become such pursuant to the applicable provisions of this Agreement, and thereafter "Trustee" shall mean such successor Trustee.

"Valuation Period" has the meaning set forth in Section 301(g).

"vice president", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title of "vice president".

Section 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Agreement, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Agreement (including any covenants, compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Any certificate, statement or opinion of an officer of the Company or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Company, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Agreement, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and (subject to Section 401) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient.

(c) The ownership of CVRs shall be proved by the Security Register.

(d) At any time prior to (but not after) the evidencing to the Trustee, as provided in this Section 104, of the taking of any action by the Holders of the CVRs specified in this Agreement in connection with such action, any Holder of a CVR the serial number of which is shown by the evidence to be included among the serial numbers of the CVRs the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Section 104, revoke such action so far as concerns such CVR. Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any CVR shall bind every future Holder of the same CVR or the Holder of every CVR issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, suffered or omitted to be done by the Trustee, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such CVR.

Section 105. Notices, etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Agreement to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed, in writing, to or with the Trustee at its Corporate Trust Office, Attention: Indenture Trust Division; or

(b) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Company addressed to it at 1515 Broadway, New York, New York 10036, Attention: Treasury Department, or at any other address previously furnished in writing to the Trustee by the Company.

Section 106. Notice to Holders; Waiver.

Where this Agreement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause, it shall be impracticable to mail notice of any event as required by any provision of this Agreement, then any method of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Section 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Agreement by any of the provisions of the Trust Indenture Act, such required provision shall control.

Section 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns.

All covenants and agreements in this Agreement by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Benefits of Agreement.

Nothing in this Agreement or in the CVRs, express or implied, shall give to any Person (other than the parties hereto and their successors hereunder, any Paying Agent and the Holders) any benefit or any legal or equitable right, remedy or claim under this Agreement or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders.

Section 111. Governing Law.

This Agreement and the CVRs shall be governed by and construed in accordance with the laws of the State of New York.

Section 112. Legal Holidays.

In the event that the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or the Default Payment Date, as the case may be, shall not be a Business Day, then (notwithstanding any provision of this Agreement or the CVRs to the contrary) payment on the CVRs need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or the Default Payment Date, as the case may be.

Section 113. Separability Clause.

In case any provision in this Agreement or in the CVRs shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

ARTICLE TWO

CVR FORMS

Section 201. Forms Generally.

The CVRs and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may be required by law or any rule or regulation pursuant thereto, all as may be determined by officers executing such CVRs, as evidenced by their execution of the CVRs. Any portion of the text of any CVR may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the CVR.

The definitive CVRs shall be printed, lithographed or engraved on steel engraved borders or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any securities exchange on which the CVRs may be listed, all as determined by the officers executing such CVRs, as evidenced by their execution of such CVRs.

Section 202. Form of Face of CVR.

VIACOM INC.

No. Certificate for Contingent Value Rights

This certifies that
or registered assigns (the "Holder"), is the registered holder of the number of Contingent Value Rights ("CVRs") set forth above. Each CVR entitles the Holder, subject to the provisions contained herein and in the Agreement referred to on the reverse hereof, to a payment from Viacom Inc., a Delaware corporation (the "Company"), in an amount and in the form determined pursuant to the provisions set forth on the reverse hereof and as more fully described in the Agreement. Such payment shall be made on the Maturity Date, the First Extended Maturity Date, if the Maturity Date shall be extended by the Company in its sole discretion, the Second Extended Maturity Date, if the First Extended Maturity Date shall be extended by the Company in its sole discretion or the Default Payment Date or the Disposition Payment Date upon the

occurrence of an Event of Default or a Disposition, as the case may be, each as defined in the Agreement referred to on the reverse hereof.

Payment of any amounts pursuant to this CVR Certificate shall be made only upon presentation of this CVR Certificate by the Holder hereof, at the office or agency of the Company maintained for that purpose. Such payment shall be made in the Borough of Manhattan, The City of New York, or at any other office or agency maintained by the Company for such purpose either, in the Company's sole discretion, (i) in such coin or currency of the United States of America as at the time is legal tender for the payment of public and private debts; provided, however, the Company may pay such amounts by its check payable in such money or (ii) by delivering the equivalent fair market value (as determined by an Independent Financial Expert) of securities of the Company, including, without limitation, common stock or preferred stock, options or warrants therefor, other securities convertible into or exchangeable for common stock or preferred stock, notes, debentures, or any other security or any combination of the foregoing. Harris Trust Company of New York has been appointed as Paying Agent in the Borough of Manhattan, The City of New York.

Reference is hereby made to the further provisions of this CVR Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this CVR Certificate shall not be entitled to any benefit under the Agreement, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: VIACOM INC.

By

Attest:

[SEAL]

- ------------------------------
Authorized Signature

Section 203. Form of Reverse of CVR.

This CVR Certificate is issued under and in accordance with the Contingent Value Rights Agreement, dated as of ----------, 1994 (the "Agreement"), between the Company and Harris - -------Trust and Savings Bank, trustee (the "Trustee", which term includes any successor Trustee under the Agreement), and is subject to the terms and provisions contained in the Agreement, to all of which terms and provisions the Holder of this CVR Certificate consents by acceptance hereof. The Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Agreement for a full statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the holders of the CVRs. Copies of the Agreement can be obtained by contacting the Trustee.

Subject to adjustment pursuant to Section 301(k) of the Agreement, the Company shall pay to the Holder hereof on ---------, 1995 (the "Maturity Date"), unless the Company - --------------shall, in its sole discretion, extend the Maturity Date to -------, 1996 (the "First Extended Maturity Date"), then on the - ---------First Extended Maturity Date, or unless the Company shall, in its sole discretion, extend the First Extended Maturity Date to , 1997 (the "Second Extended - --------------------------------Maturity Date"), then on the Second Extended Maturity Date for each CVR represented hereby an amount, if any, as determined by the Company, by which the Target Price, as defined below, exceeds the greater of (i) the Current Market Value, as defined below, and (ii) the Minimum Price, as defined below. Such determination by the Company absent manifest error shall be final and binding on the Company and the Holder.

Such amount, if any, shall be payable by the Company, either, in the Company's sole discretion, (i) in such coin or currency of the United States of America as at the time is legal tender for the payment of public and private debts; provided, --------however, the Company may pay such amounts by its check payable in - -------such money or (ii) by delivering the equivalent fair market value (as determined by an Independent Financial Expert) of securities of the Company, including, without limitation, common stock or preferred stock, options or

warrants therefor, other securities convertible into or exchangeable for common stock or preferred stock, notes, debentures, or any other security or any combination of the foregoing. Such securities shall be offered pursuant to registration under the Securities Act of 1933, as amended, or under an exemption thereof and the type and the terms of such securities shall be at the Company's sole discretion. Harris Trust Company of New York has been appointed as Paying Agent in the Borough of Manhattan, The City of New York.

The Company may at its option extend the Maturity Date to the First Extended Maturity Date and the Company may at its option extend the First Extended Maturity Date to the Second Extended Maturity Date. Such option shall be exercised by (i) publishing notice of such extension in the Authorized Newspaper and (ii) furnishing notice to the Holder hereof and the Trustee of such extension, in each case, not less than one business day preceding the Maturity Date or the First Extended Maturity Date, as the case may be; provided, however, that no defect in any such
-------- -------
notice shall affect the validity of the extension of the Maturity Date to the First Extended Maturity Date or the validity of the extension of the First Extended Maturity Date to the Second Extended Maturity Date, and that any notice when published to the Holder hereof in the aforesaid manner shall be conclusively deemed to have been received by the Holder hereof whether or not actually received by the Holder.

Upon the consummation of a Disposition, as defined below, the Company shall pay to the Holder hereof (in cash or securities of the Company, at the Company's sole option) for each CVR represented hereby an amount, if any, as determined by the Company, by which the Discounted Target Price exceeds the greater of (i) the fair market value, as determined by an Independent Financial Expert, of the consideration, if any, received for each share of the Class B Common Stock by the holder thereof as a result of such Disposition and assuming that such holder did not exercise any right of appraisal granted under law with respect to such Disposition and (ii) the Minimum Price. Such determinations by the Company and such Independent Financial Expert absent manifest error shall be final and binding on the Company and the Holder. Such payment shall be made on the date (the "Disposition Payment Date") established by the Company, which in no event shall be more than 30 days after the date on which the Disposition was consummated. As soon as practicable after the Disposition, the Company shall give the Holder hereof and the Trustee notice of such Disposition and the Disposition Payment Date.

If an Event of Default occurs and is continuing, either the Trustee or the Holders holding an aggregate of at least 25% of the Outstanding CVRs, by notice to the Company (and to the Trustee if given by the Holders), may declare the CVRs due and payable, and upon such declaration, the Company shall pay to the Holder (in cash or securities of the Company, at the Company's sole option) for each CVR held by the Holder

the Default Amount with interest at the Default Interest Rate from the Default Payment Date through the date payment is made or duly provided for.

In the event that the Company determines that no amount is payable on the CVRs to the Holder on the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date or the Disposition Payment Date, as the case may be, the Company shall give to the Holder and the Trustee notice of such determination. Upon making such determination, absent manifest error, the CVR Certificates shall terminate and become null and void and the Holder hereof shall have no further rights with respect hereto. The failure to give such notice or any defect therein shall not affect the validity of such determination.

Notwithstanding any provision of the Agreement or of this CVR Certificate to the contrary, other than in the case of interest on the Default Amount, no interest shall accrue on any amounts payable on the CVRs to the Holder.

"Authorized Newspaper" means The Wall Street Journal (Eastern Edition), or if The Wall Street Journal (Eastern Edition) shall cease to be published, or, if the publication or general circulation of The Wall Street Journal (Eastern Edition) shall be suspended for whatever reason, such other English language newspaper as is selected by the Company with general circulation in The City of New York, New York.

"Current Market Value" means (i) with respect to the Maturity Date and the First Extended Maturity Date, the median of the averages of the closing prices on the American Stock Exchange (or such other exchange on which shares of Class B Common Stock are then listed) of shares of Class B Common Stock during each 20 consecutive trading day period that both begins and ends in the Valuation Period and (ii) with respect to the Second Extended Maturity Date, the average of the closing prices on the American Stock Exchange (or such other exchange on which such shares are then listed) of the Class B Common Stock during the 20 consecutive trading days in the Valuation Period which yield the highest such average of the closing prices for any such period within the Valuation Period.

"Default Amount" means the amount, if any, by which the Discounted Target Price exceeds the Minimum Price.

"Discounted Target Price" means (a) if a Disposition or an Event of Default shall occur prior to the Maturity Date, $48.00 discounted from the Maturity Date back to the Disposition Payment Date or the Default Payment Date, as the case may be, at a per annum rate of 8%; (b) if a Disposition or an Event of Default shall occur after the Maturity Date but prior to the First Extended Maturity Date, $51.00 discounted from the First Extended

Maturity Date back to the Disposition Payment Date or Default Payment Date, as the case may be, at a per annum rate of 8% or (c) if a Disposition or an Event of Default shall occur after the First Extended Maturity Date but prior to the Second Extended Maturity Date, $55.00 discounted from the Second Extended Maturity Date back to the Disposition Payment Date or Default Payment Date, as the case may be, at a per annum rate of 8%. In each case, upon each occurrence of an event specified in Section 301(k) of the Agreement, such amounts, as they may have been previously adjusted, shall be adjusted pursuant to Section 301(k) of the Agreement.

"Disposition" means (i) a merger, consolidation or other business combination involving the Company as a result of which no shares of Class B Common Stock shall remain outstanding, (ii) a sale, transfer or other disposition, in one or a series of transactions, of all or substantially all of the assets of the Company or (iii) a reclassification of Class B Common Stock as any other capital stock of the Company or any other Person; provided, however, that "Disposition" shall not mean a merger of
- -------- -------
the Company and any wholly owned subsidiary of the Company.

"Independent Financial Expert" means an independent nationally recognized investment banking firm.

The "Minimum Price" means (i) at the Maturity Date, $36.00, (ii) at the First Extended Maturity Date, $37.00 and (iii) at the Second Extended Maturity Date, $38.00. In each case, upon each occurrence of an event specified in Section 301(k) of the Agreement, such amounts, as they may have been previously adjusted, shall be adjusted pursuant to Section 301(k) of the Agreement.

The "Target Price" means (a) at the Maturity Date, $48.00, (b) at the First Extended Maturity Date, $51.00 and (c) at the Second Extended Maturity Date, $55.00. In each case, upon each occurrence of an event specified in Section 301(k) of the Agreement, such amounts, as they may have been previously adjusted, shall be adjusted pursuant to Section 301(k) of the Agreement.

"Valuation Period" means the 60 trading day period immediately preceding (and including) the Maturity Date, the First Extended Maturity Date or the Second Extended Maturity Date, as the case may be.

The Agreement permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the holders of CVRs under the Agreement at any time by the Company and the Trustee with the consent of the holders of a majority of the CVRs at the time outstanding.

No reference herein to the Agreement and no provision of this CVR Certificate or of the Agreement shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay any amounts determined pursuant to the terms hereof and of the Agreement at the times, place, and amount, and in the cash or securities of the Company, herein prescribed.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of the CVRs represented by this CVR Certificate is registerable on the Security Register of the Company, upon surrender of this CVR Certificate for registration of transfer at the office or agency of the Company maintained for such purpose in The City of New York or Chicago, Illinois, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new CVR Certificates, for the same amount of CVRs, will be issued to the designated transferee or transferees. The Company hereby initially designates the office of Harris Trust Company of New York, 77 Water Street, 4th Floor, New York, New York 10005 as the office for registration of transfer of this CVR Certificate.

As provided in the Agreement and subject to certain limitations therein set forth, this CVR Certificate is exchangeable for one or more CVR Certificates representing the same number of CVRs as represented by this CVR Certificate as requested by the Holder surrendering the same.

No service charge will be made for any registration of transfer or exchange of CVRs, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to the time of due presentment of this CVR Certificate for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this CVR Certificate is registered as the owner hereof for all purposes, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

All capitalized terms used in this CVR Certificate without definition shall have the meanings assigned to them in the Agreement.

Section 204. Form of Trustee's Certificate of Authentication.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

This is one of the CVR Certificates referred to in the within-mentioned Agreement.

HARRIS TRUST AND SAVINGS BANK

Trustee

By

Authorized Officer

ARTICLE THREE

THE CVRs

Section 301. Title and Terms.

(a) The aggregate number of CVR Certificates which may be authenticated and delivered under this Agreement is limited to the number equal to 0.93065 multiplied by the number of shares of Paramount Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Paramount Common Stock in the treasury of Paramount and shares of Paramount Common Stock owned by the Company or any direct or indirect wholly owned subsidiary of the Company or of Paramount and other than Dissenting Shares (as defined in the Merger Agreement)), except for CVRs authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other CVRs pursuant to Section 304, 305, 306 or 606.

(b) The CVRs shall be known and designated as the "Contingent Value Rights" of the Company.

(c) Subject to adjustment pursuant to Section 301(k), the Company shall pay to each Holder on the Maturity Date, unless the Company shall, in its sole discretion, extend the Maturity Date to the First Extended Maturity Date, then on the First Extended Maturity Date or unless the Company shall, in its sole discretion, extend the First Extended

Maturity Date to the Second Extended Maturity Date, then on the Second Extended Maturity Date, for each CVR held by such Holder an amount, if any, as determined by the Company, by which the Target Price exceeds the greater of (i) the Current Market Value and (ii) the Minimum Price. Such determinations by the Company absent manifest error shall be final and binding on the Company and the Holders.

(d) The Company may at its option extend the Maturity Date to the First Extended Maturity Date and the Company may at its option extend the First Extended Maturity Date to the Second Extended Maturity Date. Such option shall be exercised by (i) publishing notice of such extension in the Authorized Newspaper, and (ii) furnishing notice, in the form set forth below, to the Trustee and each Holder of such extension, in each case, not less than one business day prior to the Maturity Date or the First Extended Maturity Date, as the case may be; provided, however, -------- -------
that no defect in any such notice shall affect the validity of the extension of the Maturity Date to the First Extended Maturity Date or the validity of the extension of the First Extended Maturity Date to the Second Extended Maturity Date, and that any notice when published and mailed to the Trustee and a Holder in the aforesaid manner shall be conclusively deemed to have been received by such Holder whether or not actually received by such Holder.

* * * * * * *

VIACOM INC.

CONTINGENT PAYMENT RIGHTS

[Date]

NOTICE OF EXTENSION OF MATURITY DATE TO

NOTICE IS HEREBY GIVEN THAT, pursuant to Section 301 of the Contingent Value Rights Agreement, dated as of ---------- (the "Agreement"), between Viacom Inc. (the "Company") and ------- , as trustee (the "Trustee"), the Company has - ---------- extended the [Maturity Date] [First Extended Maturity Date] on the Contingent Value Rights to (the "[First Extended ---------- Maturity Date]" "[Second Extended Maturity Date"]). All terms used in this Notice which are defined in the Agreement shall have the meanings assigned to them in the Agreement.

The amount payable (in cash or securities of the Company, at the Company's sole option) to each Holder on the [First Extended Maturity Date] [Second Extended Maturity Date] for each CVR held by such Holder shall be equal to an amount, if any, by which the Target Price exceeds the greater of (i) the Current Market Value and (ii) the Minimum Price.

Upon the consummation of a Disposition, the Company shall pay to each Holder (in cash or securities of the Company, at the Company's sole option) for each CVR held by such Holder an amount, if any, as determined by the Company, by which the Discounted Target Price exceeds the greater of (i) the fair market value, as determined by an Independent Financial Expert of the consideration, if any, received for each share of Class B Common Stock by the holder thereof as a result of such Disposition and assuming that such holder did not exercise any right of appraisal granted under law with respect to such Disposition and (ii) the Minimum Price.

If an Event of Default occurs and is continuing, either the Trustee or the Holders holding an aggregate of at least 25% of the Outstanding CVRs, by notice to the Company (and to the Trustee if given by the Holders), may declare the CVRs due and payable, and upon such declaration, the Company shall pay to the Holder (in cash or securities of the Company, at the Company's sole option) for each CVR held by the Holder the Default Amount with interest at the Default Interest Rate from the Default Payment Date through the date payment is made or duly provided for.

The Target Price is currently $, the Discounted Target Price is currently $ (which price shall be discounted to the Disposition Payment Date or the Default Payment Date, as the case may be, at a per annum rate of 8%, and the Minimum Price is currently $. The Target Price, the Discounted Target Price and the Minimum Price are subject to adjustment pursuant to Section 301(k) of the Agreement.

VIACOM INC.

* * * * * * *

(e) Upon the consummation of a Disposition, the Company shall pay (in the manner provided in Section 307) to each Holder for each CVR held by such Holder an amount, if any, as determined by the Company, by which the Discounted Target Price exceeds the greater of (i) the fair market value, as determined by an Independent Financial Expert, of the consideration, if any, received for each share of Class B Common Stock by the holder thereof as a result of such Disposition and assuming that such holder did not exercise any right of appraisal granted under law with respect to such Disposition and (ii) the Minimum Price. Such determinations by the Company and such Independent Financial Expert absent manifest error shall be final and binding on the Company and the Holders. Such payment shall be made on the date (the "Disposition Payment Date") established by the Company, which in no event shall be more than 30 days after the date on which the Disposition was consummated.

(f) As soon as practicable, the Company shall give the Trustee and each Holder notice of such Disposition and the date on which the payment referred to in Section 301(e) shall be made.

(g) The current market value per share of Class B Common Stock (the "Current Market Value") shall be: (i) with respect to the Maturity Date and the First Extended Maturity Date, the median of the averages of the closing prices on the American Stock Exchange (or such other exchange on which such shares are then listed) of shares of the Class B Common Stock during each 20 consecutive trading day period that both begins and ends in the Valuation Period and (ii) with respect to the Second Extended Maturity Date, the average of the closing prices on the American Stock Exchange (or such other exchange on which such shares are then listed) of the Class B Common Stock during the 20 consecutive trading days in the Valuation Period which yield the highest such average of the closing prices for any such 20 consecutive trading day period within the Valuation Period.

"Valuation Period" means the 60 trading day period immediately preceding (and including) the Maturity Date, the First Extended Maturity Date or the Second Extended Maturity Date, as the case may be.

The daily market price for each such trading day shall be: (A) if the shares of Class B Common Stock are listed or admitted to trading on any securities exchange, the closing price, regular way, on such day on the principal securities exchange on which shares of Class B Common Stock are traded, (B) if the shares of Class B Common Stock are not then listed or admitted to trading on any securities exchange, the last reported sale price on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reputable quotation source designated by the Company and (C) if the shares of Class B Common Stock are not then listed or admitted to trading on any securities exchange and no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on the last day on which such information was available, as reported in the Authorized Newspaper.

(h) In the event the Current Market Value or fair market value, as the case may be, is determined by an Independent Financial Expert, the Company shall cause the Independent Financial Expert to deliver to the Company, with a copy to the Trustee, a value report (the "Value Report") stating the methods of valuation considered or used and, if applicable, the per share value of the Common Stock, and containing a statement as to the nature and scope of the examination or investigation upon which the determination of value was made. The Trustee shall make available a copy of the Value Report to each Holder who requests such Value Report. The determination of the Independent Financial Expert as set forth in the Valuation Report absent manifest error shall be final and binding on the Company and the Holders.

(i) Notwithstanding any provision of this Agreement or the CVR Certificates to the contrary, other than in the case of interest on the Default Amount, no interest shall accrue on any amounts payable on the CVRs to any Holder.

(j) In the event that the Company determines that no amount is payable on the CVRs to the Holders on the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date or the Disposition Payment Date, as the case may be, the Company shall give to the Trustee and each Holder notice of such determination. Upon making such determination, absent manifest error, the CVR Certificates shall terminate and become null and void and the Holders thereof shall have no further rights with respect thereto. The failure to give such notice or any defect therein shall not affect the validity of such determination.

(k) In the event the Company shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the number of outstanding shares of Class B Common Stock, the Company shall similarly subdivide or combine the CVRs and shall appropriately adjust the Discounted Target Price, the Target Price and the Minimum Price. Whenever an adjustment is made as provided in this Section 301(k), the Company shall (i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (ii) promptly file with the Trustee a copy of such certificate and (iii) mail a brief summary thereof to each Holder. The Trustee shall be fully protected in relying on any such certificate and on any adjustment therein contained. Such adjustment absent manifest error shall be final and binding on the Company and the Holders. Each outstanding CVR Certificate shall thenceforth represent that number of adjusted CVRs necessary to reflect such subdivision or combination, and reflect the adjusted Discounted Target Price, Target Price and Minimum Price.

Section 302. Registrable Form.

The CVRs shall be issuable only in registered form.

Section 303. Execution, Authentication, Delivery and Dating.

The CVRs shall be executed on behalf of the Company by its chairman of the Board of Directors or its president or any vice president or its treasurer, under its corporate seal which may, but need not, be attested. The signature of any of these officers on the CVRs may be manual or facsimile.

CVRs bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such CVRs or did not hold such offices at the date of such CVRs.

At any time and from time to time after the execution and delivery of this Agreement, the Company may deliver CVRs executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such CVRs; and the Trustee in accordance with such Company Order shall authenticate and deliver such CVRs as provided in this Agreement and not otherwise.

Each CVR shall be dated the date of its authentication.

No CVR shall be entitled to any benefit under this Agreement or be valid or obligatory for any purpose unless there appears on such CVR a certificate of authentication

substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized officer, and such certificate upon any CVR shall be conclusive evidence, and the only evidence, that such CVR has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Agreement.

Section 304. Temporary CVRs.

Pending the preparation of definitive CVRs, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary CVRs which are printed, lithographed, typewritten, mimeographed or otherwise produced, substantially of the tenor of the definitive CVRs in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such CVRs may determine with the concurrence of the Trustee. Temporary CVRs may contain such reference to any provisions of this Agreement as may be appropriate. Every temporary CVR shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive CVRs.

If temporary CVRs are issued, the Company will cause definitive CVRs to be prepared without unreasonable delay. After the preparation of definitive CVRs, the temporary CVRs shall be exchangeable for definitive CVRs upon surrender of the temporary CVRs at the office or agency of the Company designated for such purpose pursuant to Section 702, without charge to the Holder. Upon surrender for cancellation of any one or more temporary CVRs the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like amount of definitive CVRs. Until so exchanged, the temporary CVRs shall in all respects be entitled to the same benefits under this Agreement as definitive CVRs.

Section 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 702 being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of CVRs and of transfers of CVRs. The Trustee is hereby initially appointed "Security Registrar" for the purpose of registering CVRs and transfers of CVRs as herein provided.

Upon surrender for registration of transfer of any CVR at the office or agency of the Company designated pursuant to Section 702, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees,

one or more new CVR Certificates representing the same aggregate number of CVRs represented by the CVR Certificate so surrendered that are to be transferred and the Company shall execute and the Trustee shall authenticate and deliver, in the name of the transferor, one or more new CVR Certificates represented by such CVR Certificate that are not to be transferred.

At the option of the Holder, CVR Certificates may be exchanged for other CVR Certificates that represent in the aggregate the same number of CVRs as the CVR Certificates surrendered at such office or agency. Whenever any CVR Certificates are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the CVR Certificates which the Holder making the exchange is entitled to receive.

All CVRs issued upon any registration of transfer or exchange of CVRs shall be the valid obligations of the Company, evidencing the same right, and entitled to the same benefits under this Agreement, as the CVRs surrendered upon such registration of transfer or exchange.

Every CVR presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Security Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of CVRs, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of CVRs, other than exchanges pursuant to Section 304 or not involving any transfer.

Section 306. Mutilated, Destroyed, Lost and Stolen CVRs.

If (a) any mutilated CVR is surrendered to the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any CVR, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such CVR has been acquired by a bona fide purchaser, the Company shall execute and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated CVR or in lieu of any such destroyed, lost or stolen CVR, a new CVR Certificate of like tenor and amount of CVRs, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen CVR has become or is to become due and payable within 15 days, the Company in its discretion may, instead of issuing a new CVR Certificate, pay such CVR on the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or the Default Payment Date, as the case may be.

Upon the issuance of any new CVRs under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new CVR issued pursuant to this Section in lieu of any destroyed, lost or stolen CVR shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen CVR shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Agreement equally and proportionately with any and all other CVRs duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen CVRs.

Section 307. Presentation of CVR Certificate.

Payment of any amounts on the CVRs shall be made only upon presentation by the Holder thereof at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, or the Corporate Trust Office and at any other office or agency maintained by the Company for such purpose. Such payment shall be made, either, in the Company's sole discretion, (i) in such coin or currency of the United States of America as at the time is legal tender for the payment of public and private debts; provided, however, the Company may pay such amounts by its check payable in such money or (ii) by the equivalent fair market value (as determined by an Independent Financial Expert) of securities of the Company, including, without limitation, common stock or preferred stock, options or warrants therefor, other securities convertible into or exchangeable for common stock or preferred stock, notes, debentures, or any other security or any combination of the foregoing. Such securities shall be offered pursuant to registration under the Securities Act or under an exemption thereof and the type and the terms of such securities shall be at the Company's sole discretion.

Section 308. Persons Deemed Owners.

Prior to the time of due presentment for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any CVR is registered as the owner of such CVR for the purpose of receiving payment on such CVR and for all other purposes whatsoever, whether or not such CVR be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309. Cancellation.

All CVRs surrendered for payment, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any CVRs previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all CVRs so delivered shall be promptly cancelled by the Trustee. No CVRs shall be authenticated in lieu of or in exchange for any CVRs cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled CVRs held by the Trustee shall be disposed of as directed by a Company Order.

ARTICLE FOUR

THE TRUSTEE

Section 401. Certain Duties and Responsibilities.

(a) With respect to the Holders of CVRs issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the CVRs and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. In case an Event of Default with respect to the CVRs has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) In the absence of bad faith on its part, prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default which may have occurred, the Trustee may conclusively rely, as to the truth of the statements and the

correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement.

(c) No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

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(1) this Subsection (c) shall not be construed to limit the effect of Subsections (a) and (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) no provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; and

(4) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 809 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Agreement.

(d) Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 402. Certain Rights of Trustee.

The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Trustee. Subject to the provisions of Trust Indenture Act Sections 315(a) through 315(d) and Section 401 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Holders pursuant to this Agreement, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing to do so by the Holders of not less than a majority in aggregate number of the CVRs then Outstanding; provided that, if the payment

within a reasonable time to the Trustee of

the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Agreement, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation shall be paid by the Company or, if paid by the Trustee or any predecessor Trustee, shall be repaid by the Company upon demand; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) the permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall be liable for its negligence, bad faith or willful misconduct;

(i) the Trustee shall not be required to give any note or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises; and

(j) except for (i) a default under Section 801(a) and (ii) any other event of which the Trustee has "actual knowledge," which event, with the giving of notice or the passage of time or both, would constitute an Event of Default, the Trustee shall not be deemed to have notice of any default or event unless specifically notified in writing of such event by the Company or the Holders of not less than 25% in aggregate number of CVRs Outstanding; as used herein, the term "actual knowledge" means the actual fact or statement of knowing, without any duty to make any investigation without regard thereto.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 403. Not Responsible for Recitals or Issuance of CVRs.

The recitals contained herein and in the CVRs, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes

no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Agreement or of the CVRs. The Trustee shall not be accountable for the use or application by the Company of CVRs or the proceeds thereof.

Section 404. May Hold CVRs.

The Trustee, any Paying Agent, Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of CVRs, and, subject to Sections 407 and 412, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 405. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder.

Section 406. Compensation, Reimbursement and Indemnification of the Trustee.

The Company agrees

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, including the enforcement of this Section 406.

When the Trustee incurs expenses or renders services after a Default specified in Section 801(c) or 801(d) occurs, the reasonable expenses and the compensation for services (including the reasonable fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any bankruptcy law.

Section 407. Disqualification; Conflicting Interests.

The Trustee shall be subject to the provisions of Section 310(b) of the Trust Indenture Act during the period of time provided for therein. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the penultimate paragraph of Section 310(b) of the Trust Indenture Act.

Section 408. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by Federal or State authority and, to the extent there is such an institution eligible and willing to serve, having an office or agency in The City of New York or the City of Chicago. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 409. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 410.

(b) The Trustee, or any trustee or trustees hereafter appointed, may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by (i) the Company, by a Board Resolution or (ii) an Act of the Holders of a majority of the Outstanding CVRs, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 407(a) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a CVR for at least six months, or

(2) the Trustee shall cease to be eligible under Section 408 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) the Holder of any CVR who has been a bona fide Holder of a CVR for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority of the Outstanding CVRs delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with Section 410, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders of the CVRs and so accepted appointment, the Holder of any CVR who has been a bona fide Holder for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of CVRs as their names and addresses appear in the Security Register. Each notice shall include the name of the

successor Trustee and the address of its Corporate Trust Office. If the Company fails to send such notice within ten days after acceptance of appointment by a successor Trustee, the successor Trustee shall cause the notice to be mailed at the expense of the Company.

Section 410. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 411. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any CVRs shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the CVRs so authenticated with the same effect as if such successor Trustee had itself authenticated such CVRs; and such certificate shall have the full force which it is anywhere in the CVRs or in this Agreement provided that the certificate of the Trustee shall have; provided that the right to adopt the certificate of authentication of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE FIVE

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 501. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee (a) semiannually, not later than [SIX MONTHS AFTER DATE OF CVR] and [DATE OF CVR], a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of [FIVE MONTHS 15 DAYS AFTER DATE OF CVR] and [ELEVEN MONTHS 15 DAYS AFTER DATE OF CVR], respectively, and (b) at such times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list, in such form as the Trustee may reasonably require, of the names and the addresses of the Holders as of a date not more than 15 days prior to the time such list is furnished; provided, however, that, if and so long as the Trustee shall be the Security Registrar, no such list need be furnished.

Section 502. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 501 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 501 upon receipt of a new list so furnished.

(b) If three or more Holders (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a CVR for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Agreement or under the CVRs and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application at its election, either

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 502(a), or

(2) inform such applicants as to the approximate number of Holders whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 502(a), and as to the approximate cost of mailing to such

Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 502(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of CVRs, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 502(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 502(b).

Section 503. Reports by Trustee.

(a) Within 60 days after July 15 of each year commencing with the July 15 occurring after the initial issuance of CVRs hereunder, the Trustee shall transmit by mail to the Holders of CVRs, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, and to the Company a brief report dated as of such July 15 which satisfies the requirements of Section 313(a) of the Trust Indenture Act .

Section 504. Reports by Company.

The Company shall:

(a) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations; and

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Agreement as may be required from time to time by such rules and regulations.

The Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to Subsections (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE SIX

AMENDMENTS

Section 601. Amendments Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more amendments hereto, in form satisfactory to the Trustee, for any of the following

purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the CVRs any property or assets; or

(b) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the CVRs; or

(c) to add to the covenants of the Company such further covenants, restrictions, conditions or provisions as its Board of Directors and the Trustee shall consider to be for the protection of the Holders of CVRs, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Agreement as herein set forth; provided that in respect of
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any such additional covenant, restriction, condition or provision such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the CVRs to waive such an Event of Default; or

(d) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement; provided that in each case, such
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provisions shall not adversely affect the interests of the Holders.

Section 602. Amendments with Consent of Holders.

With the consent of the Holders of not less than 66 2/3% of the Outstanding CVRs, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into one or more amendments hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Holders under this Agreement; provided, however, that no such
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amendment shall, without the consent of the Holder of each Outstanding CVR affected thereby:

(a) modify the definition of Maturity Date, First Extended Maturity Date, Second Extended Maturity Date, Disposition Payment Date, Default Payment Date, Current Market Value, Valuation Period, Minimum Price, Discounted Target Price, Target Price, Default Amount or Default Interest Rate or modify Section 301(k) or otherwise extend the maturity of the CVRs or reduce the amounts payable in respect of the CVRs;

(b) reduce the amount of the Outstanding CVRs, the consent of whose Holders is required for any such amendment; or

(c) modify any of the provisions of this Section, except to increase any such percentage or to provide that certain other provisions of this Agreement cannot be modified or waived without the consent of the Holder of each CVR affected thereby.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such act shall approve the substance thereof.

Promptly after the execution by the Company and the Trustee of any amendment pursuant to the provisions of this Section, the Company shall mail a notice thereof by first class mail to the Holders of CVRs at their addresses as they shall appear on the Security Register, setting forth in general terms the substance of such amendment. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

Section 603. Execution of Amendments.

In executing any amendment permitted by this Article, the Trustee shall be entitled to receive, and (subject to Section 401) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment which affects the Trustee's own rights, duties or immunities under this Agreement or otherwise.

Section 604. Effect of Amendments.

Upon the execution of any amendment under this Article, this Agreement shall be modified in accordance therewith, and such amendment shall form a part of this Agreement for all purposes; and every Holder of CVRs theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 605. Conformity with Trust Indenture Act.

Every amendment executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 606. Reference in CVRs to Amendments.

CVRs authenticated and delivered after the execution of any amendment pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. If the Company shall so determine, new CVRs so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such amendment may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding CVRs.

ARTICLE SEVEN

COVENANTS

Section 701. Payment of Amounts, if Any, to Holders.

The Company will duly and punctually pay the amounts, if any, in the manner provided for in Section 307 on the CVRs in accordance with the terms of the CVRs and this Agreement.

Section 702. Maintenance of Office or Agency.

As long as any of the CVRs remain Outstanding, the Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where CVRs may be presented or surrendered for payment. The Company also will maintain in the Borough of Manhattan, The City of New York, or Chicago, Illinois, an office or agency (i) where CVRs may be surrendered for registration of transfer or exchange and (ii) where notices and demands to or upon the Company in respect of the CVRs and this Agreement may be served. The Company hereby initially designates the office of Harris Trust Company of New York at

77 Water Street, 4th Floor, New York, New York 10005 as the office or agency of the Company where CVRs may be presented for payment, and the Corporate Trust Office as the office or agency where CVRs may be surrendered for registration of transfer or exchange and where such notices or demands may be served, in each case, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the CVRs may be presented or surrendered for any or all such purposes, and may from time to time rescind such designation; provided, however, that no such designation or
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rescission shall in any manner relieve the Company of its obligations as set forth in the preceeding paragraph. The Company will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such office or agency.

Section 703. Money for CVR Payments to Be Held in

Trust.
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If the Company shall at any time act as its own Paying Agent, it will, on or before the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or the Default Payment Date, as the case may be, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the amounts, if any, so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the CVRs, it will, on or before the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or the Default Payment Date, as the case may be, deposit with a Paying Agent a sum in same day funds sufficient to pay the amount, if any, so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such amount, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of such action or any failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that (A) such Paying Agent will hold all sums held by it for the payment of any amount payable on CVRs in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and (B) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the CVRs) to make any payment on the CVRs when the same shall be due and payable.

Any money (or securities of Viacom) deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment on any CVR and remaining unclaimed for one year after the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or the Default Payment Date, as the case may be, shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such CVR shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof and all liability of the Trustee or such Paying Agent with respect to such trust money (or securities of Viacom) shall thereupon cease.

Section 704. Certain Purchases and Sales.

The Company will not, and will not permit any of its subsidiaries or controlled Affiliates to, purchase any shares of Class B Common Stock in open market transactions, privately negotiated transactions or otherwise, on any day during the period commencing 10 trading days before the Valuation Period and ending on the last day of the Valuation Period, except with respect to employee benefit plans and other incentive compensation arrangements.

Section 705. Written Statement to Trustee.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Agreement. For purposes of this Section, such compliance shall be determined without regard to any period of grace or requirement of notice under this Agreement.

ARTICLE EIGHT

REMEDIES OF THE TRUSTEE AND HOLDERS
ON EVENT OF DEFAULT

Section 801. Event of Default Defined; Acceleration of Maturity; Waiver of Default.

"Event of Default", with respect to CVRs, means each one of the following events which shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of all or any part of the amounts payable in respect of any of the CVRs as and when the same shall become due and payable either at the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date or otherwise; or

(b) default in the performance, or breach, of any covenant or warranty of the Company in respect of the CVRs (other than a covenant or warranty in respect of the CVRs a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% of the Outstanding CVRs, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(c) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(d) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent

to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Company or for any substantial part of its property, or make any general assignment for the benefit of creditors.

If an Event of Default described above occurs and is continuing, then, and in each and every such case, unless all of the CVRs shall have already become due and payable, either the Trustee or the Holders of not less than 25% of the CVRs then Outstanding hereunder by notice in writing to the Company (and to the Trustee if given by the Holders) may declare the CVRs to be due and payable immediately, and upon any such declaration the Default Amount shall become immediately due and payable and, thereafter, shall bear interest at the Default Interest Rate until payment is made to the Trustee.

The foregoing provisions, however, are subject to the condition that if, at any time after the CVRs shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all amounts which shall have become due otherwise than by acceleration (with interest upon such overdue amount at the Default Interest Rate to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made, by the Trustee except as a result of negligence or bad faith, and if any and all Events of Default under this Agreement, other than the nonpayment of the amounts which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Holders of a majority of all the CVRs then Outstanding, by written notice to the Company and to the Trustee, may waive all defaults with respect to the CVRs and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereof.

Section 802. Collection of Indebtedness by Trustee; Trustee May Prove Debt.

The Company covenants that in case default shall be made in the payment of all or any part of the CVRs when the same shall have become due and payable; whether at the Maturity Date, the First Extended Maturity Date, the Second Extended Maturity Date, the Disposition Payment Date, the Default Payment Date or otherwise, then upon demand of the Trustee, the Company will pay to the Trustee for the benefit of the Holders of the CVRs the whole amount, in cash or securities of the Company (at the option of the Company) that then shall have become due and payable on all CVRs (with interest from the date due and payable to the date of such payment upon the overdue amount at the Default Interest Rate);

and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and any expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon such CVRs and collect in the manner provided by law out of the property of the Company or other obligor upon such CVRs, wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Company or any other obligor upon the CVRs under Title 11 of the United States Code or any other applicable Federal or State bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or its property or such other obligor, or in case of any other judicial proceedings relative to the Company or other obligor upon the CVRs, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of any CVRs shall then be due and payable as therein expressed or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount owing and unpaid in respect of the CVRs, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Holders allowed in any judicial proceedings relative to the Company or other obligor upon the CVRs, or to the creditors or property of the Company or such other obligor;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Holders in any election of a trustee or a standby trustee in arrangement,

reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings; and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts receivable with respect to the claims of the Holders and of the Trustee on their behalf and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Holders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Holders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith and all other amounts due to the Trustee or any predecessor Trustee pursuant to Section 406.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the CVRs or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

All rights of action and of asserting claims under this Agreement, or under any of the CVRs, may be enforced by the Trustee without the possession of any of the CVRs or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Agreement to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders, and it shall not be necessary to make any Holders of such CVRs parties to any such proceedings.

Section 803. Application of Proceeds.

Any monies (including CVRs of the Company) collected by the Trustee pursuant to this Article in respect of any CVRs shall be applied in the following order at the date or dates fixed by the Trustee upon presentation of the several CVRs in respect of which

monies (including CVRs of the Company) have been collected and stamping (or otherwise noting) thereon the payment in exchange for the presented CVRs if only partially paid or upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses in respect of which monies have been collected, including reasonable compensation to the Trustee and each predecessor Trustee and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and all other amounts due to the Trustee or any predecessor Trustee pursuant to Section 406;

SECOND: To the payment of the whole amount then owing and unpaid upon all the CVRs, with interest at the Default Interest Rate on all such amounts, and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the CVRs, then to the payment of such amounts without preference or priority of any CVR over any other CVR, ratably to the aggregate of such amounts due and payable; and

THIRD: To the payment of the remainder, if any, to the Company or any other person lawfully entitled thereto.

Section 804. Suits for Enforcement.

In case an Event of Default has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Agreement by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right vested in the Trustee by this Agreement or by law.

Section 805. Restoration of Rights on Abandonment of Proceedings.

In case the Trustee shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Section 806. Limitations on Suits by Holders.

No Holder of any CVR shall have any right by virtue or by availing itself of any provision of this Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Agreement, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof as hereinbefore provided, and unless also the Holders of not less than 25% of the CVRs then Outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 809; it being understood and intended, and being expressly covenanted by the taker and Holder of every CVR with every other taker and Holder and the Trustee, that no one or more Holders of CVRs shall have any right in any manner whatever by virtue or by availing itself or themselves of any provision of this Agreement to effect, disturb or prejudice the rights of any other such Holder of CVRs, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of CVRs. For the protection and enforcement of the provisions of this Section, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 807. Unconditional Right of Holders to Institute Certain Suits.

Notwithstanding any other provision in this Agreement and any provision of any CVR, the right of any Holder of any CVR to receive payment of the amounts payable in respect of such CVR on or after the respective due dates expressed in such CVR, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 808. Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default.

Except as provided in Section 806, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at

law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 806, every power and remedy given by this Agreement or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 809. Control by Holders.

The Holders of a majority of the CVRs at the time Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the CVRs by this Agreement; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Agreement; and provided further that (subject to the provisions of Section 401) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or Responsible Officers of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability or if the Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction would be unduly prejudicial to the interests of Holders of the CVRs not joining in the giving of said direction, it being understood that (subject to Section 401) the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders.

Nothing in this Agreement shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction or directions by Holders.

Section 810. Waiver of Past Defaults.

Prior to the declaration of the acceleration of the maturity of the CVRs as provided in Section 801, in the case of a default or an Event of Default specified in clause (b), (c) or (d) of Section 801, the Holders of CVRs of a majority of all the CVRs then Outstanding may waive any such default or Event of Default, and its consequences, except a default in respect of a covenant or provisions hereof which cannot be modified or amended

without the consent of the Holder of each CVR affected. In the case of any such waiver, the Company, the Trustee and the Holders of the CVRs shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Agreement; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 811. Trustee to Give Notice of Default, but May Withhold in Certain Circumstances.

The Trustee shall transmit to the Holders, as the names and addresses of such Holders appear on the Security Register, notice by mail of all defaults which have occurred, such notice to be transmitted within 90 days after the occurrence thereof unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purposes of this Section being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default); provided that, except in the case of default in the payment of the amounts payable in respect of any of the CVRs, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or trustees and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 812. Right of Court to Require Filing of Undertaking to Pay Costs.

All parties to this Agreement agree, and each Holder of any CVR by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Agreement or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith or the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder or group of Holders holding in the aggregate more than 10% of the CVRs Outstanding or to any suit instituted by any Holder for the enforcement of the payment of any CVR on or after the due date expressed in such CVR.

ARTICLE NINE

CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Section 901. Company May Consolidate, Etc.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) in case the Company shall consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (the "Surviving Person") shall be a corporation, partnership or trust organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume payment of amounts on all the CVRs and the performance of every covenant of this Agreement on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Surviving Person, the Company or any Subsidiary as a result of such transaction as having been incurred by the Surviving Person, the Company or such Subsidiary at the time of such transaction, no Event of Default shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officer's Certificate, stating that such consolidation, merger, conveyance, transfer or lease complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Solely for purposes of this Section 901, "convey, transfer or lease its properties and assets substantially as an entirety" shall mean properties and assets contributing in the aggregate at least 80% of the Company's total revenues as reported in the Company's last available periodic financial report (quarterly or annual, as the case may be) filed with the Commission.

Section 902. Successor Substituted.

Upon any consolidation of or merger by the Company with or into any other Person, or any conveyance, transfer or lease of the properties and assets substantially as an entirety to any Person in accordance with Section 901, the Surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement with the same effect as if the Surviving Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Agreement and the CVRs.

Section 903. Opinion of Counsel to Trustee.

The Trustee, subject to the provisions of Sections 401 and 402, may receive an Opinion of Counsel, prepared in accordance with Sections 103 and 104, as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Agreement.

* * * * * * *

This Agreement may be signed in any number of counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

VIACOM INC.

By:

Title:

Attest:

Title:

HARRIS TRUST AND SAVINGS BANK

By:

Title:

Attest:

Title:

State of)
) ss.:
County of)

On the day of , 1994, before me personally came , to me known, who, being by me duly sworn, did depose and say that s/he resides at ; that s/he is of Viacom Inc., one of the corporations described in and which executed the above instrument; and s/he knows the corporate seal of such corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed pursuant to authority of the Board of Directors of such corporation; and that s/he signed her/his name thereto pursuant to like authority.

(NOTARIAL SEAL)

State of)
) ss.:
County of)

On the day of , 1994, before me personally came , to me known, who, being by me duly sworn, did depose and say that s/he resides at ; that s/he is of , one of the corporations described in and which executed the above instrument; and s/he knows the corporate seal of such corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed pursuant to authority of the Board of Directors of such corporation; and that s/he signed her/his name thereto pursuant to like authority.

(NOTARIAL SEAL)

THREE-YEAR
WARRANT AGREEMENT

Agreement dated as of [ ], 1994 between VIACOM INC., a Delaware corporation (the "Company"), and Harris Trust and Savings Bank, warrant agent (the "Warrant Agent").

The Company proposes to issue and deliver its warrant certificates (the "Warrant Certificates") evidencing warrants (the "Warrants") to purchase up to an aggregate of [ ] shares of its Common Stock (as defined below), to certain holders (the "Warrant Recipients") of the common stock, par value $1.00 per share, of Paramount Communications Inc. ("Paramount") in connection with the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994 (the "Merger Agreement") among the Company, Viacom Sub Inc., a wholly owned subsidiary of the Company, and Paramount. Each whole Warrant will entitle the registered holder thereof (each, a "Holder" and collectively, the "Holders") to purchase one share of Common Stock at a price of $60.00 per share, subject to adjustment under certain circumstances.

In consideration of the foregoing and for the purpose of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder of the Company and the Holders, the Company and the Warrant Agent each agrees as follows:

Section 1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Affiliate" of any person means any person directly or indirectly controlling or controlled by or under direct or indirect common control with such person. For purposes of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Common Stock" means the Class B Common Stock, par value $.01 per share, of the Company, and any other capital stock of the Company into which the Common Stock may be converted or reclassified or that may be issued in respect of, in exchange for, or in substitution of, the Common Stock by reason of any stock splits, stock dividends, distributions, mergers, consolidations or other like events.

"Company" shall have the meaning set forth in the preamble to this Agreement and its successors and assigns.

"Current Market Value" shall have the meaning set forth in Section 8(e) of this Agreement.

"Effective Time" means the date of the filing of a certificate of merger with the Secretary of State of the State of Delaware in connection with the merger of Viacom Sub Inc. with and into Paramount pursuant to the Merger Agreement or such later date and time as set forth in the Merger Agreement.

"Exercise Price" means the purchase price per share of Common Stock to be paid upon the exercise of each whole Warrant in accordance with the terms hereof, which price shall initially be $60.00 per share, subject to adjustment from time to time pursuant to Section 8 hereof.

"Expiration Date" means the third anniversary of the Effective Time.

"Holders" shall have the meaning set forth in the preamble to this Agreement.

"Merger Agreement" shall have the meaning set forth in the preamble to this Agreement.

"person" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Register" shall have the meaning set forth in Section 3(a) of this Agreement.

"Warrant Agent" shall have the meaning set forth in the preamble to this Agreement or the successor or successors of such Warrant Agent appointed in accordance with the terms hereof.

"Warrant Certificates" shall have the meaning set forth in the preamble to this Agreement.

"Warrant Recipients" shall have the meaning set forth in the preamble to this Agreement.

"Warrants" shall have the meaning set forth in the preamble to this Agreement.

Section 2. The Warrant Certificates. (a) The Warrant Certificates shall be in registered form only and substantially in the form attached hereto as Exhibit A. The Warrant Certificates shall be dated the date on which countersigned by the Warrant Agent

and may have such legends and endorsements typed, stamped, printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with applicable laws, rules or regulations including any rule or regulation of any securities exchange on which the Warrants may be listed, or to conform to usage.

(b) Warrant Certificates evidencing Warrants to purchase an aggregate of up to [ ] shares of Common Stock may be executed, on or after the date of this Agreement, by the Company and delivered to the Warrant Agent for countersignature, and the Warrant Agent shall thereupon countersign and deliver such Warrant Certificates upon the order and at the direction of the Company to the Warrant Recipients. The names and addresses of the Warrant Recipients shall be specified by the Company pursuant to a list of Warrant Recipients provided to the Warrant Agent by the Company. The Warrant Agent is hereby authorized to countersign and deliver Warrant Certificates as required by this Section 2(b) or by Section 3(b), 4(f) or 6 hereof. The Warrant Certificates shall be executed on behalf of the Company by any of its officers, either manually or by facsimile signature printed thereon. The Warrant Agent shall countersign the Warrant Certificates either manually or by facsimile signature printed thereon, and the Warrant Certificates shall not be valid for any purpose unless so countersigned. In case any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be such officer of the Company before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates may, nevertheless, be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

Section 3. Registration, Exchange and Transfer of Warrants. (a) The Warrant Agent shall keep at the office of the Warrant Agent, specified in or pursuant to Section 4(e), a register (the "Register") in which, subject to such regulations as the Company may prescribe, the Warrant Agent shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates as herein provided.

(b) At the option of the Holder, Warrant Certificates may be exchanged at such office and upon payment of the charges hereinafter provided. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive; provided, however, that the Company shall not be required to issue and deliver Warrant Certificates representing fractional warrants.

(c) All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

(d) Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

(e) No service charge shall be made for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

(f) Any Warrant Certificate when duly endorsed in blank shall be deemed negotiable and when a Warrant Certificate shall have been so endorsed, the Holder thereof may be treated by the Company, the Warrant Agent and all other persons dealing therewith as the sole and absolute owner thereof for any purpose and as the person solely entitled to exercise the rights represented thereby, or to the transfer thereof on the register of the Company maintained by the Warrant Agent, any notice to the contrary notwithstanding; but until such transfer on such register, the Company and the Warrant Agent may treat the registered Holder thereof as the owner for all purposes.

Section 4. Exercise Price, Payment of the Exercise Price, Duration and Exercise of Warrants Generally. (a) Each Warrant Certificate shall, when countersigned by the Warrant Agent, entitle the Holder thereof, subject to the provisions of this Agreement, to receive one share of Common Stock for each whole Warrant represented thereby, subject to adjustment as herein provided, upon payment of the Exercise Price for each of such shares.

(b) Payment of the Exercise Price shall be in cash or by certified or official bank check payable to the order of the Company. All funds received upon the exercise of Warrants shall be deposited by the Warrant Agent for the account of the Company, unless otherwise instructed in writing by the Company.

(c) Subject to the terms and conditions set forth herein, the Warrants shall be exercisable from time to time by the Holder thereof at any time on or prior to the Expiration Date.

(d) The Warrants shall terminate and become void as of the close of business on the Expiration Date.

(e) Subject to Sections 5 and 9 hereof, in order to exercise a Warrant, the Holder thereof must surrender the Warrant Certificate evidencing such Warrant, with one of the forms on the reverse of or attached to the Warrant Certificates duly executed (with

signature guaranteed by a national bank or trust company or by a member of any national securities exchange), to the Warrant Agent at its office at 311 West Monroe Street, Chicago, Illinois 60606, or at such other address as the Warrant Agent may specify in writing to the Holders at their respective addresses specified in the Register, together with payment in full of the Exercise Price thereof.

Upon surrender of a Warrant Certificate and payment of the Exercise Price in conformity with the foregoing provisions, the Warrant Agent shall thereupon promptly notify the Company, and the Warrant Agent will deliver or cause to be delivered to or upon any written order of any Holder appropriate evidence of ownership of any shares of Common Stock issuable upon exercise of the Warrants or other securities or property (including any cash) to which the Holder is entitled hereunder, subject to Section 5.

(f) The Warrants evidenced by a Warrant Certificate shall be exercisable either as an entirety or, from time to time, for part only of the number of whole Warrants evidenced thereby. If fewer than all of the Warrants evidenced by a Warrant Certificate are exercised at any time, the Warrant Certificate representing such Warrants shall be surrendered and a new Warrant Certificate of the same tenor and for the number of Warrants that were not exercised shall be issued by the Company. The Warrant Agent shall countersign the new Warrant Certificate, register it in such name or names as may be directed in writing by the Holder and deliver the new Warrant Certificate to the person or persons entitled to receive the same.

Section 5. Payment of Taxes. The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of Common Stock upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or other governmental charge which may be payable in respect of any transfer involved in the issue or delivery of any Warrant Certificates or certificates for Common Stock issued upon the exercise of Warrants in a name other than that of the registered Holder of such Warrants, and the Company shall not register any such transfer or issue any such certificate until such tax or governmental charge, if required, shall have been paid.

Section 6. Mutilated or Missing Warrant Certificates. If (a) any mutilated Warrant Certificate is surrendered to the Warrant Agent or (b) the Company and the Warrant Agent receive evidence to their satisfaction of the destruction, loss or theft of any Warrant Certificate, and there is delivered to the Company and the Warrant Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Warrant Agent that such Warrant Certificate has been acquired by a bona fide purchaser, the Company may execute and the Warrant Agent shall countersign and deliver, in exchange for any such mutilated Warrant Certificate or in lieu of any such destroyed, lost or stolen Warrant Certificate, a new Warrant Certificate of like tenor and for a like aggregate number of Warrants.

Upon the issuance of any new Warrant Certificate under this Section 6 the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses (including the reasonable fees and expenses of the Warrant Agent and of counsel to the Company) in connection therewith.

Every new Warrant Certificate executed and delivered pursuant to this Section 6 in lieu of any destroyed, lost or stolen Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the destroyed, lost or stolen Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder.

The provisions of this Section 6 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, destroyed, lost or stolen Warrant Certificates.

Section 7. Reservation of Common Stock for Issuance on Exercise of Warrants; Listing. The Company will at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon exercise of Warrants as herein provided, such number of shares of Common Stock as shall then be issuable upon exercise of all outstanding Warrants. The Company covenants that all shares of Common Stock which shall be so issuable shall, upon issue, be duly and validly issued and fully paid and non-assessable and that upon issuance such shares shall be listed on each national securities exchange on which any other shares of outstanding Common Stock are then listed.

Section 8. Adjustments. The Exercise Price and the number of shares of Common Stock issuable upon exercise of each whole Warrant shall be subject to adjustment from time to time as follows:

(a) Stock Dividends; Stock Splits; Reverse Stock Splits; Reclassifications. In case the Company shall (i) pay a dividend or make any other distribution with respect to its Common Stock in shares of Common Stock, (ii) subdivide its outstanding Common Stock, (iii) combine its outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of Common Stock in a reclassification of the Common Stock (including any such reclassification in connection with a merger, consolidation or other business combination in which the Company is the continuing corporation), the number of shares of Common Stock issuable upon exercise of each Warrant immediately prior to the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that the Holder of each Warrant shall thereafter be entitled to receive

the kind and number of shares of Common Stock or other securities of the Company that such Holder would have owned or have been entitled to receive after the happening of any of the events described above, had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 8(a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) Rights; Options; Warrants. In case the Company shall issue rights, options, warrants or convertible or exchangeable securities (other than a convertible or exchangeable security subject to Section 8(a)) to all holders of its Common Stock, entitling them to subscribe for or purchase Common Stock at a price per share that is lower (at the record date for such issuance) than the Current Market Value per share of Common Stock, the number of shares of Common Stock thereafter issuable upon the exercise of all Warrants then outstanding shall be determined by adding (1) the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding and (2) the product of (x) the Cheap Stock Issued, multiplied by (y) the Ownership Ratio. Such adjustment shall be made whenever such rights, options, warrants or convertible or exchangeable securities are issued, and shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such rights, options, warrants or convertible or exchangeable securities.

For purposes of this Section 8(b), (i) the "Cheap Stock Issued" shall be the number of additional shares of any Common Stock offered by the Company for subscription or purchase as described above minus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then Current Market Value per share of Common Stock and (ii) the "Ownership Ratio" shall be a fraction, the numerator of which shall be the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding, and the denominator of which shall be (a) the fully diluted shares of Common Stock outstanding on the date of issuance of such rights, options, warrants or convertible or exchangeable securities minus (b) the number of shares of Common Stock theretofore issuable upon the exercise of all Warrants then outstanding.

Any adjustment to the number of shares of Common Stock issuable upon exercise of all Warrants then outstanding made pursuant to this Section 8(b) shall be allocated among the Warrants then outstanding on a pro rata basis.

(c) Issuance of Common Stock at Lower Values. In case the Company shall, in a transaction in which Section 8(b) is inapplicable, issue or sell shares of

Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, at a price per share of Common Stock (determined in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (A) the total amount receivable by the Company in consideration of the issuance and sale of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration, if any, payable to the Company upon exercise, conversion or exchange thereof, by (B) the total number of shares of Common Stock covered by such rights, options, warrants or convertible or exchangeable securities) that is lower than the then Current Market Value per share of the Common Stock in effect immediately prior to such sale or issuance, then the number of shares of Common Stock thereafter issuable upon the exercise of all Warrants then outstanding shall be determined by adding (1) the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding and (2) the product of (x) the Cheap Stock Issued, multiplied by (y) the Ownership Ratio. Such adjustment shall be made successively whenever any such sale or issuance is made.

For purposes of this Section 8(c), (i) the "Cheap Stock Issued" shall be the number of additional shares of any Common Stock issued or offered by the Company for subscription or purchase as described above minus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then Current Market Value per share of Common Stock and (ii) the "Ownership Ratio" shall be a fraction, the numerator of which shall be the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding, and the denominator of which shall be (a) the fully diluted shares of Common Stock outstanding on the date of issuance of such Common Stock or such rights, options, warrants or convertible or exchangeable securities minus (b) the number of shares of Common Stock theretofore issuable upon the exercise of all Warrants then outstanding.

In case the Company shall issue and sell shares of Common Stock or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the "consideration" receivable by or payable to the Company for purposes of the first sentence of this Section 8(c), the Board of Directors of the Company shall determine, in good faith, the fair value of such property. In case the Company shall issue and sell rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, together with one or more other securities as part of a unit at a price per unit, then in determining the "price per share of Common Stock" and the "consideration" receivable by or payable to the Company for purposes

of the first sentence of this Section 8(c), the Board of Directors of the Company shall determine, in good faith, the fair value of the rights, options, warrants or convertible or exchangeable securities then being sold as part of such unit.

Any adjustment to the number of shares of Common Stock issuable upon exercise of all Warrants then outstanding made pursuant to this Section 8(c) shall be allocated among each Warrant then outstanding on a pro rata basis.

The provisions of this Section 8(c) shall not apply (i) to shares issued pursuant to an employee stock option plan or similar plan providing for options or other similar rights to purchase shares of Common Stock, (ii) to issuances pursuant to incentive bonus plans or (iii) to shares issued in payment or settlement of any other equity-related award to employees.

(d) Expiration of Rights, Options and Conversion Privileges. Upon the expiration of any rights, options, warrants or conversion or exchange privileges that have previously resulted in an adjustment hereunder, if any thereof shall not have been exercised, the Exercise Price and the number of shares of Common Stock issuable upon the exercise of each Warrant shall, upon such expiration, be readjusted and shall thereafter, upon any future exercise, be such as they would have been had they been originally adjusted (or had the original adjustment not been required, as the case may be) as if (i) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants or conversion or exchange rights and (ii) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for issuance, sale or grant of all such rights, options, warrants or conversion or exchange rights whether or not exercised; provided, however, that no such readjustment shall have the effect of increasing the Exercise Price by an amount, or decreasing the number of shares issuable upon exercise of each Warrant by a number, in excess of the amount or number of the adjustment initially made in respect to the issuance, sale or grant of such rights, options, warrants or conversion or exchange rights.

(e) Current Market Value. For the purposes of any computation under this Section 8, the Current Market Value per share of Common Stock at the date herein specified shall be deemed to be the average of the daily market prices of the Common Stock for the 10 consecutive trading days immediately preceding the day as of which "Current Market Value" is being determined. The market price for each such trading day shall be the closing price, regular way, on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day.

(f) Adjustments for Consolidation, Merger, Sale of Assets, Reorganization, etc. In case the Company (i) consolidates with or merges into any other corporation and is not the continuing or surviving corporation of such consolidation or merger, or (ii) permits any other corporation to consolidate with or merge into the Company and the Company is the continuing or surviving corporation but, in connection with such consolidation or merger, the Common Stock is changed into or exchanged for stock or other securities of any other corporation or cash or any other assets, or (iii) transfers all or substantially all of its properties and assets to any other corporation, or (iv) effects a capital reorganization or reclassification of the capital stock of the Company in such a way that holders of Common Stock shall be entitled to receive stock, securities, cash or assets with respect to or in exchange for Common Stock, then, and in each such case, proper provision shall be made so that, upon the basis and upon the terms and in the manner provided in this subsection (f), each Holder, upon the exercise of each Warrant at any time after the consummation of such consolidation, merger, transfer, reorganization or reclassification, shall be entitled to receive (at the aggregate Exercise Price in effect for all shares of Common Stock issuable upon such exercise immediately prior to such consummation as adjusted to the time of such transaction), in lieu of shares of Common Stock issuable upon such exercise prior to such consummation, the stock and other securities, cash and assets to which such Holder would have been entitled immediately prior to the record date for such dividend or distribution or the effective date of such consolidation, merger, transfer, reorganization or reclassification.

(g) Adjustment of Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of each Warrant is adjusted, as provided in Section 8(a), (b) or (c), the Exercise Price for each share of Common Stock payable upon exercise of such Warrant shall be adjusted (calculated to the nearest $.01) so that it shall equal the price determined by multiplying such Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of shares issuable upon the exercise of each Warrant immediately prior to such adjustment, and the denominator of which shall be the number of shares so issuable immediately thereafter.

(h) De Minimis Adjustments. Except as provided in Section 8(c) with reference to adjustments required by such Section 8(c), no adjustment in the number of shares of Common Stock issuable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (l%) in the number of shares of Common Stock purchasable upon an exercise of each Warrant; provided, however, that any adjustments which by reason of this Section 8(h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest one-thousandth of a share.

(i) Notice of Adjustment. Whenever the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant is adjusted, as herein provided, the Company shall promptly give written notice to the Warrant Agent of such adjustment or adjustments and shall cause the Warrant Agent promptly to mail by first class mail, postage prepaid, to each Holder notice of such adjustment or adjustments and shall deliver to the Warrant Agent a certificate of a firm of independent public accountants selected by the Board of Directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same from time to time to any Holder desiring an inspection thereof during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist that may require any adjustment of the number of shares of Common Stock or other stock or property issuable on exercise of the Warrants, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment or the validity or value (or the kind or amount) of any shares of Common Stock or other stock or property which may be issuable on exercise of the Warrants. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates or other common stock or property upon the exercise of any Warrant.

(j) Statement on Warrants. Irrespective of any adjustment in the number or kind of shares issuable upon the exercise of the Warrants, Warrants theretofore or thereafter issued may continue to express the same number and kind of shares as are stated in the Warrants initially issuable pursuant to this Agreement.

Section 9. Fractional Shares of Common Stock on Exercise of the Warrants. The Company shall not be required to issue fractional shares of Common Stock on exercise of the Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same Holder, the number of full shares of Common Stock that shall be issuable upon such exercise thereof shall be computed on the basis of the aggregate number of shares of Common Stock acquirable on exercise of the Warrants so presented. If any fraction of a share of Common Stock would, except for the provisions of this Section 9, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash calculated by it to be equal to the then Current Market Value multiplied by such fraction computed to the nearest whole cent. The Holders, by their acceptance of the Warrant

Certificates, expressly waive any and all rights to receive any fraction of a share of Common Stock or a stock certificate representing a fraction of a share of Common Stock.

Section 10. No Stock Rights. Prior to the exercise of the Warrants, no Holder of a Warrant Certificate, as such, shall be entitled to vote or be deemed the holder of shares of Common Stock or any other securities of the Company that may at any time be issuable on the exercise hereof, nor shall anything contained herein be construed to confer upon any Holder of a Warrant Certificate, as such, the rights of a stockholder of the Company or the right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, to exercise any preemptive right, to receive notice of meetings or other actions affecting stockholders (except as provided herein), or to receive dividends or subscription rights or otherwise.

Section 11. The Warrant Agent. (a) The Company hereby appoints the Warrant Agent to act as agent of the Company as set forth in this Agreement. The Warrant Agent hereby accepts the appointment as agent of the Company and agrees to perform that agency upon the terms and conditions herein set forth, by all of which the Company and the Holders of Warrants, by their acceptance thereof, shall be bound. The Warrant Agent shall not by countersigning Warrant Certificates or by any other act hereunder be deemed to make any representation as to validity or authorization of the Warrants or the Warrant Certificates (except as to its countersignature thereon) or of any securities or other property delivered upon exercise of any Warrant, or as to the number or kind or amount of stock or other securities or other property deliverable upon exercise of any Warrant. The Warrant Agent shall not have any duty to calculate or determine any adjustments with respect either to the kind and amount of shares or other securities or any property receivable by Holders upon the exercise or tender of Warrants required from time to time, and the Warrant Agent shall have no duty or responsibility in determining the accuracy or correctness of any such calculation, other than to apply any adjustment, notice of which is given by the Company to the Warrant Agent to be mailed to the Holders in accordance with Section 8(i). The Warrant Agent shall not (a) be liable for any recital or statement of fact contained herein or in the Warrant Certificates or for any action taken, suffered or omitted by it in good faith on the belief that any Warrant Certificate or any other documents or any signatures are genuine or properly authorized, (b) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in the Warrant Certificates, or (c) be liable for any act or omission in connection with this Agreement except for its own negligence or willful misconduct. The Warrant Agent is hereby authorized to accept instructions with respect to the performance of its duties hereunder from any officer of the Company and to apply to any such officer for instructions (which instructions will be promptly given in writing when requested) and the Warrant Agent shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with the instructions of any such officer, except for its own negligence or wilful misconduct, but in its discretion the

Warrant Agent may in lieu thereof accept other evidence of such or may require such further or additional evidence as it may deem reasonable.

(b) The Warrant Agent shall not be under any obligation or duty to institute, appear in or defend any action, suit or legal proceeding in respect hereof, unless first indemnified to its satisfaction, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without such indemnity. The Warrant Agent shall promptly notify the Company in writing of any claim made or action, suit or proceeding instituted against it arising out of or in connection with this Agreement.

(c) The Company will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further acts, instruments and assurances as may reasonably be required by the Warrant Agent in order to enable it to carry out or perform its duties under this Agreement.

(d) The Company agrees to pay to the Warrant Agent from time to time compensation for all services rendered by it hereunder as the Company and the Warrant Agent may agree from time to time, and to reimburse the Warrant Agent for reasonable expenses and disbursements incurred in connection with the execution and administration of this Agreement (including the reasonable compensation and the expenses of its counsel), and further agrees to indemnify the Warrant Agent for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance and administration of this Agreement, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

(e) The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell and deal in any of the Warrants or other securities of the Company or its Affiliates or become pecuniarily interested in transactions in which the Company or its Affiliates may be interested, or contract with or lend money to the Company or its Affiliates or otherwise act as fully and freely as though it were not the Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(f) Anything in this Agreement to the contrary notwithstanding, in no event shall the Warrant Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to loss of profits), even if the Warrant Agent has been advised of the form of action.

Section 12. Resignation and Removal of Warrant Agent; Appointment of Successor. (a) No resignation or removal of the Warrant Agent and no appointment of a

successor warrant agent shall become effective until the acceptance of appointment by the successor warrant agent provided herein. The Warrant Agent may resign its duties and be discharged from all further duties and liability hereunder (except liability arising as a result of the Warrant Agent's own negligence, bad faith or willful misconduct) after giving written notice to the Company. The Company may remove the Warrant Agent upon written notice, and the Warrant Agent thereupon in like manner be discharged from all further duties and liabilities hereunder, except as aforesaid. The Warrant Agent shall, at the Company's expense, cause to be mailed (by first-class mail, postage prepaid) to each Holder at his last address as shown on the Register a copy of said notice of resignation or notice of removal, as the case may be. Upon such resignation or removal, the Company shall appoint in writing a new warrant agent. If the Company shall fail to make such appointment within a period of 60 days after it has been notified in writing of such resignation by the resigning Warrant Agent or after such removal, then the Holder may apply to any court of competent jurisdiction for the appointment of a new warrant agent. Any new warrant agent, whether appointed by the Company or by such a court, shall be a corporation doing business under the laws of the United States or any state thereof, in good standing and having a combined capital and surplus of not less than $50,000,000. The combined capital and surplus of any such new warrant agent shall be deemed to be the combined capital and surplus as set forth in the most recent annual report of its condition published by such warrant agent prior to its appointment, provided that such reports are published at least annually pursuant to law or to the requirements of a Federal or state supervising or examining authority. After acceptance in writing of such appointment by the new warrant agent, it shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning or removed Warrant Agent. Not later than the effective date of any such appointment, the Company shall give notice thereof to the resigning or removed Warrant Agent. Failure to give any notice provided for in this Section, however, or any defect therein, shall not affect the legality or validity of the resignation of the Warrant Agent or the appointment of a new warrant agent, as the case may be.

(b) Any corporation into which the Warrant Agent or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party, shall be a successor Warrant Agent under this Agreement without any further act, provided that such corporation (i) would be eligible for appointment as successor to the Warrant Agent under the provisions of Section 12(a) or (ii) is a wholly owned subsidiary of the Warrant Agent. Any such successor Warrant Agent shall promptly cause notice of its succession as Warrant Agent to be mailed (by first-class mail, postage prepaid) to each Holder at such Holder's last address as shown on the Register.

Section 13. Money and Other Property Deposited with the Warrant Agent. Any moneys, securities or other property that at any time shall be deposited on behalf of the Company with the Warrant Agent pursuant to this Agreement shall be and are hereby assigned, transferred and set over to the Warrant Agent in trust for the purpose for which such moneys, securities or other property shall have been deposited; but such moneys, securities or other property need not be segregated from other funds, securities or other property except to the extent required by law.

Section 14. Notices. (a) Except as otherwise provided in Section 14(b), any notice, demand or delivery authorized by this Agreement shall be sufficiently given or made when mailed if sent by first-class mail, postage prepaid, addressed to any Holder at such Holder's address shown on the Register and to the Company or the Warrant Agent as follows:

If to the Company: Viacom Inc.
1515 Broadway
New York, New York 10036

Attention: General Counsel and Secretary

If to the Warrant Agent: Harris Trust and Savings Bank
311 West Monroe Street
12th Floor
Chicago, Illinois 60606

Attention: Indenture Trust Division

or such other address as shall have been furnished to the party giving or making such notice, demand or delivery.

(b) Any notice required to be given by the Company to the Holders shall be made by mailing by registered mail, return receipt requested, to the Holders at their respective addresses shown on the Register. The Company hereby irrevocably authorizes the Warrant Agent, in the name and at the expense of the Company, to mail any such notice upon receipt thereof from the Company. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given when mailed, whether or not the Holder receives the notice.

Section 15. Amendments. The Company may from time to time supplement or amend this Agreement without the consent of any Holder, in order to (a) cure any ambiguity or correct or supplement any provision herein that may be defective or inconsistent with any other provision herein or (b) add to the covenants and agreements of the Company

for the benefit of the Holders, or surrender any rights or power reserved to or conferred upon the Company in this Agreement. The Warrant Agent shall join with the Company in the execution and delivery of any such supplemental agreements unless it affects the Warrant Agent's own rights, duties or immunities hereunder in which case such party may, but shall not be required to, join in such execution and delivery.

Section 16. Persons Benefiting. This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent, and their respective successors, assigns, beneficiaries, executors and administrators, and each registered Holder of the Warrants. Nothing in this Agreement is intended or shall be construed to confer upon any person, other than the Company, the Warrant Agent and the Holders of the Warrants, any right, remedy or claim under or by reason of this Agreement or any part hereof.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

Section 18. Surrender of Certificates. Any Warrant Certificate surrendered for exercise or purchase or otherwise acquired by the Company shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly cancelled by such Warrant Agent and shall not be reissued by the Company. The Warrant Agent shall destroy such cancelled Warrant Certificates and deliver its certificate of destruction to the Company unless the Company shall otherwise direct.

Section 19. Termination of Agreement. This Agreement shall terminate and be of no further force and effect on the earliest of (a) the Expiration date or (b) the date on which all of the Warrants have been exercised, except that the provisions of Sections 11 and 13 shall continue in full force and effect after such termination date.

Section 20. Governing Law. This Agreement and each Warrant issued hereunder and all rights arising hereunder shall be construed in accordance with and governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by its officer thereunto duly authorized as of the date first above written.

VIACOM INC.

By:_____
Name:
Title:

HARRIS TRUST AND SAVINGS BANK

By:_____
Name:
Title:

EXHIBIT A

FORM OF FACE OF WARRANT CERTIFICATE

WARRANTS TO PURCHASE CLASS B COMMON STOCK
OF VIACOM INC.

No. ____ Certificate for ___ Warrants

This certifies that _____, or registered assigns, is the registered holder of the number of Warrants set forth above (the "Warrants"). Each whole Warrant entitles the holder thereof (a "Holder"), subject to the provisions contained herein and in the Warrant Agreement referred to below, to purchase from Viacom Inc., a Delaware corporation (the "Company"), one share of Class B Common Stock, par value $.01 per share, of the Company ("Common Stock"), at the exercise price (the "Exercise Price") of $60.00 per share, subject to adjustment upon the occurrence of certain events. This Warrant Certificate shall terminate and become void as of the close of business on the third anniversary of the filing of a certificate of merger with the Secretary of State of the State of Delaware in connection with the merger of Viacom Sub Inc. with and into Paramount Communications Inc. (the "Expiration Date").

This Warrant Certificate is issued under and in accordance with the Warrant Agreement, dated as of [ ] (the "Warrant Agreement"), between the Company and Harris Trust and Savings Bank, as warrant agent (the "Warrant Agent", which term includes any successor Warrant Agent under the Warrant Agreement), and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Warrant Agent and the Holders of the Warrants.

As provided in the Warrant Agreement and subject to the terms and conditions therein set forth, the Warrants are immediately exercisable. At 5:00 P.M. (New York City time) on the Expiration Date, each Warrant not exercised prior thereto shall terminate and become void and of no value.

The Exercise Price and the number of shares of Common Stock issuable upon the exercise of each whole Warrant are subject to adjustment as provided in the Warrant Agreement.

All shares of Common Stock issuable by the Company upon the exercise of Warrants shall, upon such issue, be duly and validly issued and fully paid and non-assessable.

In order to exercise a Warrant, the registered holder hereof must surrender this Warrant Certificate at the office of the Warrant Agent, with the Exercise Subscription Form on the reverse hereof duly executed by the Holder hereof, with signature guaranteed as therein specified, together with any required payment in full of the Exercise Price then in effect for the share(s) of Common Stock as to which the Warrant(s) represented by this Warrant Certificate are submitted for exercise, all subject to the terms and conditions hereof and of the Warrant Agreement. Any such payment of the Exercise Price shall be in cash or by certified or official bank check payable to the order of the Company.

The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of Common Stock upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or other governmental charge which may be payable in respect of any transfer involved in the issue or delivery of any Warrant Certificates or certificates for Common Stock issued upon the exercise of Warrants in a name other than that of the registered Holder of such Warrants, and the Company shall not register any such transfer or issue any such certificate until such tax or governmental charge, if required, shall have been paid.

This Warrant Certificate and all rights hereunder are transferable by the registered holder hereof, in whole or in part, on the register of the Company, upon surrender of this Warrant Certificate for registration of transfer at the office of the Warrant Agent maintained for such purpose in the City of New York or the City of Chicago, Illinois, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent duly executed by the Holder hereof, or his attorney duly authorized in writing, with signature guaranteed as specified in the attached Form of Assignment. Upon any partial transfer, the Company will issue and deliver to such holder a new Warrant Certificate or Certificates with respect to any portion not so transferred; provided, however, that the Company shall not be required to issue and deliver Warrant Certificates representing fractional warrants.

No service charge shall be made for any registration of transfer or exchange of the Warrant Certificates, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Each taker and holder of this Warrant Certificate by taking or holding the same, consents and agrees that this Warrant Certificate when duly endorsed in blank shall be

deemed negotiable and that when this Warrant Certificate shall have been so endorsed, theholder hereof may be treated by the Company, the Warrant Agent and all other persons dealing with this Warrant Certificate as the sole and absolute owner hereof for any purpose and as the person solely entitled to exercise the rights represented hereby, or to the transfer hereof on the register of the Company maintained by the Warrant Agent, any notice to the contrary notwithstanding, but until such transfer on such register, the Company and the Warrant Agent may treat the registered Holder hereof as the owner for all purposes.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

All terms used in this Warrant Certificate that are defined in the Warrant Agreement shall have the meanings assigned to them in the Warrant Agreement.

Copies of the Warrant Agreement are on file at the office of the Warrant Agent and may be obtained by writing to the Warrant Agent at the following address: 311 West Monroe Street, Chicago, Illinois 60606.

This Warrant Certificate shall not be valid for any purpose until it shall have been countersigned by the Warrant Agent.

Dated: _____, 19__

VIACOM INC.

By: _____
Name and Title:

Countersigned:

HARRIS TRUST AND SAVINGS BANK,
as Warrant Agent

_____

By:_____
Authorized Officer

RESTRICTIONS ON TRANSFER AND VOTING OF COMMON STOCK: THE RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, OF THE COMPANY PROVIDES THAT, SO LONG AS THE COMPANY OR ANY OF ITS SUBSIDIARIES HOLDS ANY AUTHORIZATION FROM THE FEDERAL COMMUNICATIONS COMMISSION (OR ANY SUCCESSOR THERETO), IF THE COMPANY HAS REASON TO BELIEVE THAT THE OWNERSHIP, OR PROPOSED OWNERSHIP, OF SHARES OF CAPITAL STOCK OF THE COMPANY BY ANY STOCKHOLDER OR ANY PERSON PRESENTING ANY SHARES OF CAPITAL STOCK OF THE COMPANY FOR TRANSFER INTO HIS NAME (A "PROPOSED TRANSFEREE") MAY BE INCONSISTENT WITH, OR IN VIOLATION OF, ANY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS (AS HEREINAFTER DEFINED), SUCH HOLDER OR PROPOSED TRANSFEREE, UPON REQUEST OF THE COMPANY, SHALL FURNISH PROMPTLY TO THE COMPANY SUCH INFORMATION (INCLUDING, WITHOUT LIMITATION, INFORMATION WITH RESPECT TO CITIZENSHIP, OTHER OWNERSHIP INTERESTS AND AFFILIATIONS) AS THE COMPANY SHALL REASONABLY REQUEST TO DETERMINE WHETHER

THE OWNERSHIP OF, OR THE EXERCISE OF ANY RIGHTS WITH RESPECT TO SHARES OF CAPITAL STOCK OF THE COMPANY BY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE IS INCONSISTENT WITH, OR IN VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS. AS USED HEREIN, THE TERM "FEDERAL COMMUNICATIONS LAWS" SHALL MEAN ANY LAW OF THE UNITED STATES NOW OR HEREAFTER IN EFFECT (AND ANY REGULATION THEREUNDER) PERTAINING TO THE OWNERSHIP OF, OR THE EXERCISE OF RIGHTS OF OWNERSHIP WITH RESPECT TO, CAPITAL STOCK OF CORPORATIONS HOLDING, DIRECTLY OR INDIRECTLY, FEDERAL COMMUNICATIONS COMMISSION AUTHORIZATIONS, INCLUDING, WITHOUT LIMITATION, THE COMMUNICATIONS ACT OF 1934, AS AMENDED (THE "COMMUNICATIONS ACT"), AND REGULATIONS THEREUNDER PERTAINING TO THE OWNERSHIP, OR THE EXERCISE OF THE RIGHTS OF OWNERSHIP, OF CAPITAL STOCK OF CORPORATIONS HOLDING, DIRECTLY OR INDIRECTLY, FEDERAL COMMUNICATIONS COMMISSION AUTHORIZATIONS, BY (I) ALIENS, AS DEFINED IN OR UNDER THE COMMUNICATIONS ACT, AS IT MAY BE AMENDED FROM TIME TO TIME, (II) PERSONS OR ENTITIES HAVING INTERESTS IN TELEVISION OR RADIO STATIONS, DAILY NEWSPAPERS AND CABLE TELEVISION SYSTEMS OR (III) PERSONS OR ENTITIES, UNILATERALLY OR OTHERWISE, SEEKING DIRECT OR INDIRECT CONTROL OF THE COMPANY, AS CONSTRUED UNDER THE COMMUNICATIONS ACT, WITHOUT HAVING OBTAINED ANY REQUISITE PRIOR FEDERAL REGULATORY APPROVAL OF SUCH CONTROL. IF ANY STOCKHOLDER OR PROPOSED TRANSFEREE FROM WHOM INFORMATION IS REQUESTED AS DESCRIBED ABOVE SHOULD FAIL TO RESPOND TO SUCH REQUEST OR THE COMPANY SHALL CONCLUDE THAT THE OWNERSHIP, OR THE EXERCISE OF ANY RIGHTS OF OWNERSHIP WITH RESPECT TO, SHARES OF CAPITAL STOCK OF THE COMPANY BY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE COULD RESULT IN ANY INCONSISTENCY WITH, OR VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS, THE COMPANY MAY REFUSE TO PERMIT THE TRANSFER OF SHARES OF CAPITAL STOCK OF THE COMPANY TO SUCH PROPOSED TRANSFEREE, OR MAY SUSPEND THOSE RIGHTS OF STOCK OWNERSHIP THE EXERCISE OF WHICH WOULD RESULT IN ANY INCONSISTENCY WITH, OR VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS, SUCH REFUSAL OF TRANSFER OR SUSPENSION TO REMAIN IN EFFECT UNTIL THE REQUESTED INFORMATION HAS BEEN RECEIVED AND THE COMPANY HAS DETERMINED THAT SUCH TRANSFER OR THE EXERCISE OF SUCH SUSPENDED RIGHTS, AS THE CASE MAY BE, IS PERMISSIBLE UNDER THE FEDERAL COMMUNICATIONS LAWS, AND THE COMPANY MAY EXERCISE ANY AND ALL APPROPRIATE REMEDIES, AT LAW OR IN EQUITY, IN ANY COURT OF COMPETENT JURISDICTION,

AGAINST ANY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE, WITH A VIEW TOWARDS OBTAINING SUCH INFORMATION OR PREVENTING OR CURING ANY SITUATION WHICH WOULD CAUSE ANY INCONSISTENCY WITH, OR VIOLATION OF, ANY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS, AS USED HEREIN, THE WORD "PERSON" SHALL INCLUDE NOT ONLY NATURAL PERSONS BUT PARTNERSHIPS, ASSOCIATIONS, CORPORATIONS, JOINT VENTURES, AND OTHER ENTITIES AND THE "REGULATION" SHALL INCLUDE NOT ONLY REGULATIONS BUT RULES, PUBLISHED POLICIES AND PUBLISHED CONTROLLING INTERPRETATIONS BY AN ADMINISTRATIVE AGENCY OR BODY EMPOWERED TO ADMINISTER A STATUTORY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS.

FORM OF REVERSE OF WARRANT CERTIFICATE

EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of Warrant)

To: Viacom Inc.

The undersigned irrevocably exercises _____ of the Warrants for the purchase of one share (subject to adjustment) of Class B Common Stock, par value $.01 per share, of Viacom Inc., for each whole Warrant represented by the Warrant Certificate and herewith makes payment of $ _____ (such payment being in cash or by certified or official bank check payable to the order of Viacom Inc.), all at the Exercise Price and on the terms and conditions specified in the Warrant Certificate and the Warrant Agreement therein referred to, surrenders this Warrant Certificate and all right, title and interest therein to

and directs that the shares of Common Stock deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Date: _____, 19____ . . . . . (1)

_____ (Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Guaranteed by:

_____

---

(1) The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatever, and must be guaranteed by a national bank or trust company or by a member of any national securities exchange.

Securities and/or check to be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

Any unexercised Warrants evidenced by the within Warrant Certificate to be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered holder of the within Warrant Certificate hereby sells, assigns, and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by the within Warrant Certificate not being assigned hereby) all of the right of the undersigned under the within Warrant Certificate, with respect to the number of whole Warrants set forth below:

Names of Assignees	Address	Social Security or other identifying number of assignee(s)	Number of Warrants

and does hereby irrevocably constitute and appoint
---
the undersigned's attorney to
---
make such transfer on the books of
---
maintained for that purpose, with full power of substitution
---
in the premises.

Date: , 19 (1)
---- ----

(Signature of Owner)

(Street Address)

(City) (State)
(Zip Code)

Signature Guaranteed by:

---

(1) The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatever, and must be guaranteed by a national bank or trust company or by a member of any national securities exchange.

- DRAFT -

FIVE-YEAR
WARRANT AGREEMENT

Agreement dated as of [ ], 1994 between VIACOM INC., a Delaware corporation (the "Company"), and Harris Trust and Savings Bank, warrant agent (the "Warrant Agent").

The Company proposes to issue and deliver its warrant certificates (the "Warrant Certificates") evidencing warrants (the "Warrants") to purchase up to an aggregate of [ ] shares of its Common Stock (as defined below), to certain holders (the "Warrant Recipients") of the common stock, par value $1.00 per share, of Paramount Communications Inc. ("Paramount") in connection with the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994 (the "Merger Agreement") among the Company, Viacom Sub Inc., a wholly owned subsidiary of the Company, and Paramount. Each whole Warrant will entitle the registered holder thereof (each, a "Holder" and collectively, the "Holders") to purchase one share of Common Stock at a price of $70.00 per share, subject to adjustment under certain circumstances.

In consideration of the foregoing and for the purpose of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder of the Company and the Holders, the Company and the Warrant Agent each agrees as follows:

Section 1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Affiliate" of any person means any person directly or indirectly controlling or controlled by or under direct or indirect common control with such person. For purposes of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aggregate Exchange Value" shall have the meaning set forth in Section 4(b) of this Agreement.

"Aggregate Exercise Price" shall have the meaning set forth in Section 4(b) of this Agreement.

"Common Stock" means the Class B Common Stock, par value $.01 per share, of the Company, and any other capital stock of the Company into which the Common

Stock may be converted or reclassified or that may be issued in respect of, in exchange for, or in substitution of, the Common Stock by reason of any stock splits, stock dividends, distributions, mergers, consolidations or other like events.

"Company" shall have the meaning set forth in the preamble to this Agreement and its successors and assigns.

"Current Market Value" shall have the meaning set forth in Section 8(e) of this Agreement.

"Effective Time" means the date of the filing of a certificate of merger with the Secretary of State of the State of Delaware in connection with the merger of Viacom Sub Inc. with and into Paramount pursuant to the Merger Agreement or such later date and time as set forth in the Merger Agreement.

"Exchange Securities" shall have the meaning set forth in Section 4(b) of this Agreement.

"Exercise Price" means the purchase price per share of Common Stock to be paid upon the exercise of each whole Warrant in accordance with the terms hereof, which price shall initially be $70.00 per share, subject to adjustment from time to time pursuant to Section 8 hereof.

"Expiration Date" means the fifth anniversary of the Effective Time.

"Holders" shall have the meaning set forth in the preamble to this Agreement.

"Merger Agreement" shall have the meaning set forth in the preamble to this Agreement.

"person" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Register" shall have the meaning set forth in Section 3(a) of this Agreement.

"Series C Preferred Stock" means the Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, of the Company issuable upon the exchange, at the option of the Company, of the 8% Exchangeable Subordinated Debentures due 2006 of the Company.

"Viacom Exchange Debentures" means the 5% Subordinated Debentures due 2014 of the Company issuable pursuant to the Indenture dated as of [ ] between the Company and Harris Trust and Savings Bank, as trustee, upon the exchange, at the option of the Company, of the Series C Preferred Stock.

"Warrant Agent" shall have the meaning set forth in the preamble to this Agreement or the successor or successors of such Warrant Agent appointed in accordance with the terms hereof.

"Warrant Certificates" shall have the meaning set forth in the preamble to this Agreement.

"Warrant Recipients" shall have the meaning set forth in the preamble to this Agreement.

"Warrants" shall have the meaning set forth in the preamble to this Agreement.

Section 2. The Warrant Certificates. (a) The Warrant Certificates shall be in registered form only and substantially in the form attached hereto as Exhibit A. The Warrant Certificates shall be dated the date on which countersigned by the Warrant Agent and may have such legends and endorsements typed, stamped, printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with applicable laws, rules or regulations including any rule or regulation of any securities exchange on which the Warrants may be listed, or to conform to usage.

(b) Warrant Certificates evidencing Warrants to purchase an aggregate of up to [ ] shares of Common Stock may be executed, on or after the date of this Agreement, by the Company and delivered to the Warrant Agent for countersignature, and the Warrant Agent shall thereupon countersign and deliver such Warrant Certificates upon the order and at the direction of the Company to the Warrant Recipients. The names and addresses of the Warrant Recipients shall be specified by the Company pursuant to a list of Warrant Recipients provided to the Warrant Agent by the Company. The Warrant Agent is hereby authorized to countersign and deliver Warrant Certificates as required by this Section 2(b) or by Section 3(b), 4(f) or 6 hereof. The Warrant Certificates shall be executed on behalf of the Company by any of its officers, either manually or by facsimile signature printed thereon. The Warrant Agent shall countersign the Warrant Certificates either manually or by facsimile signature printed thereon, and the Warrant Certificates shall not be valid for any purpose unless so countersigned. In case any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be such officer of the Company before countersignature by the Warrant Agent and issue and delivery

thereof, such Warrant Certificates may, nevertheless, be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

Section 3. Registration, Exchange and Transfer of Warrants. (a) The Warrant Agent shall keep at the office of the Warrant Agent, specified in or pursuant to Section 4(e), a register (the "Register") in which, subject to such regulations as the Company may prescribe, the Warrant Agent shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates as herein provided.

(b) At the option of the Holder, Warrant Certificates may be exchanged at such office and upon payment of the charges hereinafter provided. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive; provided, however, that the Company shall not be required to issue and deliver Warrant Certificates representing fractional warrants.

(c) All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

(d) Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

(e) No service charge shall be made for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

(f) Any Warrant Certificate when duly endorsed in blank shall be deemed negotiable and when a Warrant Certificate shall have been so endorsed, the Holder thereof may be treated by the Company, the Warrant Agent and all other persons dealing therewith as the sole and absolute owner thereof for any purpose and as the person solely entitled to exercise the rights represented thereby, or to the transfer thereof on the register of the Company maintained by the Warrant Agent, any notice to the contrary notwithstanding; but until such transfer on such register, the Company and the Warrant Agent may treat the registered Holder thereof as the owner for all purposes.

Section 4. Exercise Price, Payment of the Exercise Price, Duration and Exercise of Warrants Generally. (a) Each Warrant Certificate shall, when countersigned by the Warrant Agent, entitle the Holder thereof, subject to the provisions of this Agreement, to receive one share of Common Stock for each whole Warrant represented thereby, subject to adjustment as herein provided, upon payment of the Exercise Price for each of such shares.

(b) Payment of the Exercise Price shall be (i) in cash or by certified or official bank check payable to the order of the Company or (ii) made by exchanging, if issued, either Series C Preferred Stock with a liquidation preference equal to the Exercise Price or Viacom Exchange Debentures with a principal amount equal to the Exercise Price; provided, however, that if a Holder shall elect to make payment of the Exercise Price by exchanging Series C Preferred Stock or Viacom Exchange Debentures (collectively, the "Exchange Securities"), then the Aggregate Exchange Value (as defined below) of the securities so exchanged must be equal to or less than the aggregate Exercise Price (the "Aggregate Exercise Price") to be paid with respect to all Warrants surrendered by such Holder pursuant to Section 4(e) hereof and the remainder, if any, shall be payable by such Holder in cash or by certified or official bank check payable to the order of the Company. "Aggregate Exchange Value" shall mean the aggregate liquidation preference or principal amount, as the case may be, of the Exchange Securities surrendered in payment of the Aggregate Exercise Price pursuant to this Section 4(b). As of the date of this Agreement, the Series C Preferred Stock has a liquidation preference equal to $50 per share; the Company agrees to notify the Warrant Agent, as promptly as practicable, upon a change, if any, of the liquidation preference per share of the Series C Preferred Stock.

All funds received upon the exercise of Warrants shall be deposited by the Warrant Agent for the account of the Company, unless otherwise instructed in writing by the Company. If a Holder shall pay the Exercise Price by exchanging Exchange Securities, such Holder shall surrender the certificate or certificates representing such Exchange Securities to the Warrant Agent. Following such exchange, the holders of such Exchange Securities shall cease to have any further rights with respect to those Exchange Securities.

(c) Subject to the terms and conditions set forth herein, the Warrants shall be exercisable from time to time by the Holder thereof at any time on or prior to the Expiration Date.

(d) The Warrants shall terminate and become void as of the close of business on the Expiration Date.

(e) Subject to Sections 5 and 9 hereof, in order to exercise a Warrant, the Holder thereof must surrender the Warrant Certificate evidencing such Warrant, with one of the forms on the reverse of or attached to the Warrant Certificates duly executed (with

signature guaranteed by a national bank or trust company or by a member of any national securities exchange), to the Warrant Agent at its office at 311 West Monroe Street, Chicago, Illinois 60606, or at such other address as the Warrant Agent may specify in writing to the Holders at their respective addresses specified in the Register, together with payment in full of the Exercise Price thereof.

Upon surrender of a Warrant Certificate and payment of the Exercise Price in conformity with the foregoing provisions, the Warrant Agent shall thereupon promptly notify the Company, and the Warrant Agent will deliver or cause to be delivered to or upon any written order of any Holder appropriate evidence of ownership of any shares of Common Stock issuable upon exercise of the Warrants or other securities or property (including any cash) to which the Holder is entitled hereunder, subject to Section 5.

(f) The Warrants evidenced by a Warrant Certificate shall be exercisable either as an entirety or, from time to time, for part only of the number of whole Warrants evidenced thereby. If fewer than all of the Warrants evidenced by a Warrant Certificate are exercised at any time, the Warrant Certificate representing such Warrants shall be surrendered and a new Warrant Certificate of the same tenor and for the number of Warrants that were not exercised shall be issued by the Company. The Warrant Agent shall countersign the new Warrant Certificate, register it in such name or names as may be directed in writing by the Holder and deliver the new Warrant Certificate to the person or persons entitled to receive the same.

Section 5. Payment of Taxes. The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of Common Stock upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or other governmental charge which may be payable in respect of any transfer involved in the issue or delivery of any Warrant Certificates or certificates for Common Stock issued upon the exercise of Warrants in a name other than that of the registered Holder of such Warrants, and the Company shall not register any such transfer or issue any such certificate until such tax or governmental charge, if required, shall have been paid.

Section 6. Mutilated or Missing Warrant Certificates. If (a) any mutilated Warrant Certificate is surrendered to the Warrant Agent or (b) the Company and the Warrant Agent receive evidence to their satisfaction of the destruction, loss or theft of any Warrant Certificate, and there is delivered to the Company and the Warrant Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Warrant Agent that such Warrant Certificate has been acquired by a bona fide purchaser, the Company may execute and the Warrant Agent shall countersign and deliver, in exchange for any such mutilated Warrant Certificate or in lieu of any such destroyed, lost or stolen Warrant Certificate, a new Warrant Certificate of like tenor and for a like aggregate number of Warrants.

Upon the issuance of any new Warrant Certificate under this Section 6 the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses (including the reasonable fees and expenses of the Warrant Agent and of counsel to the Company) in connection therewith.

Every new Warrant Certificate executed and delivered pursuant to this Section 6 in lieu of any destroyed, lost or stolen Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the destroyed, lost or stolen Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder.

The provisions of this Section 6 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, destroyed, lost or stolen Warrant Certificates.

Section 7. Reservation of Common Stock for Issuance on Exercise of Warrants; Listing. The Company will at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon exercise of Warrants as herein provided, such number of shares of Common Stock as shall then be issuable upon exercise of all outstanding Warrants. The Company covenants that all shares of Common Stock which shall be so issuable shall, upon issue, be duly and validly issued and fully paid and non-assessable and that upon issuance such shares shall be listed on each national securities exchange on which any other shares of outstanding Common Stock are then listed.

Section 8. Adjustments. The Exercise Price and the number of shares of Common Stock issuable upon exercise of each whole Warrant shall be subject to adjustment from time to time as follows:

(a) Stock Dividends; Stock Splits; Reverse Stock Splits; Reclassifications. In case the Company shall (i) pay a dividend or make any other distribution with respect to its Common Stock in shares of Common Stock, (ii) subdivide its outstanding Common Stock, (iii) combine its outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of Common Stock in a reclassification of the Common Stock (including any such reclassification in connection with a merger, consolidation or other business combination in which the Company is the continuing corporation), the number of shares of Common Stock issuable upon exercise of each Warrant immediately prior to the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that the Holder of each Warrant shall thereafter be entitled to receive

the kind and number of shares of Common Stock or other securities of the Company that such Holder would have owned or have been entitled to receive after the happening of any of the events described above, had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 8(a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) Rights; Options; Warrants. In case the Company shall issue rights, options, warrants or convertible or exchangeable securities (other than a convertible or exchangeable security subject to Section 8(a)) to all holders of its Common Stock, entitling them to subscribe for or purchase Common Stock at a price per share that is lower (at the record date for such issuance) than the Current Market Value per share of Common Stock, the number of shares of Common Stock thereafter issuable upon the exercise of all Warrants then outstanding shall be determined by adding (1) the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding and (2) the product of (x) the Cheap Stock Issued, multiplied by (y) the Ownership Ratio. Such adjustment shall be made whenever such rights, options, warrants or convertible or exchangeable securities are issued, and shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such rights, options, warrants or convertible or exchangeable securities.

For purposes of this Section 8(b), (i) the "Cheap Stock Issued" shall be the number of additional shares of any Common Stock offered by the Company for subscription or purchase as described above minus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then Current Market Value per share of Common Stock and (ii) the "Ownership Ratio" shall be a fraction, the numerator of which shall be the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding, and the denominator of which shall be (a) the fully diluted shares of Common Stock outstanding on the date of issuance of such rights, options, warrants or convertible or exchangeable securities minus (b) the number of shares of Common Stock theretofore issuable upon the exercise of all Warrants then outstanding.

Any adjustment to the number of shares of Common Stock issuable upon exercise of all Warrants then outstanding made pursuant to this Section 8(b) shall be allocated among the Warrants then outstanding on a pro rata basis.

(c) Issuance of Common Stock at Lower Values. In case the Company shall, in a transaction in which Section 8(b) is inapplicable, issue or sell shares of

Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, at a price per share of Common Stock (determined in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (A) the total amount receivable by the Company in consideration of the issuance and sale of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration, if any, payable to the Company upon exercise, conversion or exchange thereof, by (B) the total number of shares of Common Stock covered by such rights, options, warrants or convertible or exchangeable securities) that is lower than the then Current Market Value per share of the Common Stock in effect immediately prior to such sale or issuance, then the number of shares of Common Stock thereafter issuable upon the exercise of all Warrants then outstanding shall be determined by adding (1) the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding and (2) the product of (x) the Cheap Stock Issued, multiplied by (y) the Ownership Ratio. Such adjustment shall be made successively whenever any such sale or issuance is made.

For purposes of this Section 8(c), (i) the "Cheap Stock Issued" shall be the number of additional shares of any Common Stock issued or offered by the Company for subscription or purchase as described above minus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then Current Market Value per share of Common Stock and (ii) the "Ownership Ratio" shall be a fraction, the numerator of which shall be the number of shares of Common Stock theretofore issuable upon exercise of all Warrants then outstanding, and the denominator of which shall be (a) the fully diluted shares of Common Stock outstanding on the date of issuance of such Common Stock or such rights, options, warrants or convertible or exchangeable securities minus (b) the number of shares of Common Stock theretofore issuable upon the exercise of all Warrants then outstanding.

In case the Company shall issue and sell shares of Common Stock or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the "consideration" receivable by or payable to the Company for purposes of the first sentence of this Section 8(c), the Board of Directors of the Company shall determine, in good faith, the fair value of such property. In case the Company shall issue and sell rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, together with one or more other securities as part of a unit at a price per unit, then in determining the "price per share of Common Stock" and the "consideration" receivable by or payable to the Company for purposes

of the first sentence of this Section 8(c), the Board of Directors of the Company shall determine, in good faith, the fair value of the rights, options, warrants or convertible or exchangeable securities then being sold as part of such unit.

Any adjustment to the number of shares of Common Stock issuable upon exercise of all Warrants then outstanding made pursuant to this Section 8(c) shall be allocated among each Warrant then outstanding on a pro rata basis.

The provisions of this Section 8(c) shall not apply (i) to shares issued pursuant to an employee stock option plan or similar plan providing for options or other similar rights to purchase shares of Common Stock, (ii) to issuances pursuant to incentive bonus plans or (iii) to shares issued in payment or settlement of any other equity-related award to employees.

(d) Expiration of Rights, Options and Conversion Privileges. Upon the expiration of any rights, options, warrants or conversion or exchange privileges that have previously resulted in an adjustment hereunder, if any thereof shall not have been exercised, the Exercise Price and the number of shares of Common Stock issuable upon the exercise of each Warrant shall, upon such expiration, be readjusted and shall thereafter, upon any future exercise, be such as they would have been had they been originally adjusted (or had the original adjustment not been required, as the case may be) as if (i) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants or conversion or exchange rights and (ii) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for issuance, sale or grant of all such rights, options, warrants or conversion or exchange rights whether or not exercised; provided, however, that no such readjustment shall have the effect of increasing the Exercise Price by an amount, or decreasing the number of shares issuable upon exercise of each Warrant by a number, in excess of the amount or number of the adjustment initially made in respect to the issuance, sale or grant of such rights, options, warrants or conversion or exchange rights.

(e) Current Market Value. For the purposes of any computation under this Section 8, the Current Market Value per share of Common Stock at the date herein specified shall be deemed to be the average of the daily market prices of the Common Stock for the 10 consecutive trading days immediately preceding the day as of which "Current Market Value" is being determined. The market price for each such trading day shall be the closing price, regular way, on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day.

(f) Adjustments for Consolidation, Merger, Sale of Assets, Reorganization, etc. In case the Company (i) consolidates with or merges into any other corporation and is not the continuing or surviving corporation of such consolidation or merger, or (ii) permits any other corporation to consolidate with or merge into the Company and the Company is the continuing or surviving corporation but, in connection with such consolidation or merger, the Common Stock is changed into or exchanged for stock or other securities of any other corporation or cash or any other assets, or (iii) transfers all or substantially all of its properties and assets to any other corporation, or (iv) effects a capital reorganization or reclassification of the capital stock of the Company in such a way that holders of Common Stock shall be entitled to receive stock, securities, cash or assets with respect to or in exchange for Common Stock, then, and in each such case, proper provision shall be made so that, upon the basis and upon the terms and in the manner provided in this subsection (f), each Holder, upon the exercise of each Warrant at any time after the consummation of such consolidation, merger, transfer, reorganization or reclassification, shall be entitled to receive (at the aggregate Exercise Price in effect for all shares of Common Stock issuable upon such exercise immediately prior to such consummation as adjusted to the time of such transaction), in lieu of shares of Common Stock issuable upon such exercise prior to such consummation, the stock and other securities, cash and assets to which such Holder would have been entitled immediately prior to the record date for such dividend or distribution or the effective date of such consolidation, merger, transfer, reorganization or reclassification.

(g) Adjustment of Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of each Warrant is adjusted, as provided in Section 8(a), (b) or (c), the Exercise Price for each share of Common Stock payable upon exercise of such Warrant shall be adjusted (calculated to the nearest $.01) so that it shall equal the price determined by multiplying such Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of shares issuable upon the exercise of each Warrant immediately prior to such adjustment, and the denominator of which shall be the number of shares so issuable immediately thereafter.

(h) De Minimis Adjustments. Except as provided in Section 8(c) with reference to adjustments required by such Section 8(c), no adjustment in the number of shares of Common Stock issuable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (l%) in the number of shares of Common Stock purchasable upon an exercise of each Warrant; provided, however, that any adjustments which by reason of this Section 8(h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest one-thousandth of a share.

(i) Notice of Adjustment. Whenever the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant is adjusted, as herein provided, the Company shall promptly give written notice to the Warrant Agent of such adjustment or adjustments and shall cause the Warrant Agent promptly to mail by first class mail, postage prepaid, to each Holder notice of such adjustment or adjustments and shall deliver to the Warrant Agent a certificate of a firm of independent public accountants selected by the Board of Directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same from time to time to any Holder desiring an inspection thereof during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist that may require any adjustment of the number of shares of Common Stock or other stock or property issuable on exercise of the Warrants, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment or the validity or value (or the kind or amount) of any shares of Common Stock or other stock or property which may be issuable on exercise of the Warrants. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates or other common stock or property upon the exercise of any Warrant.

(j) Statement on Warrants. Irrespective of any adjustment in the number or kind of shares issuable upon the exercise of the Warrants, Warrants theretofore or thereafter issued may continue to express the same number and kind of shares as are stated in the Warrants initially issuable pursuant to this Agreement.

Section 9. Fractional Shares of Common Stock on Exercise of the Warrants. The Company shall not be required to issue fractional shares of Common Stock on exercise of the Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same Holder, the number of full shares of Common Stock that shall be issuable upon such exercise thereof shall be computed on the basis of the aggregate number of shares of Common Stock acquirable on exercise of the Warrants so presented. If any fraction of a share of Common Stock would, except for the provisions of this Section 9, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash calculated by it to be equal to the then Current Market Value multiplied by such fraction computed to the nearest whole cent. The Holders, by their acceptance of the Warrant

Certificates, expressly waive any and all rights to receive any fraction of a share of Common Stock or a stock certificate representing a fraction of a share of Common Stock.

Section 10. No Stock Rights. Prior to the exercise of the Warrants, no Holder of a Warrant Certificate, as such, shall be entitled to vote or be deemed the holder of shares of Common Stock or any other securities of the Company that may at any time be issuable on the exercise hereof, nor shall anything contained herein be construed to confer upon any Holder of a Warrant Certificate, as such, the rights of a stockholder of the Company or the right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, to exercise any preemptive right, to receive notice of meetings or other actions affecting stockholders (except as provided herein), or to receive dividends or subscription rights or otherwise.

Section 11. The Warrant Agent. (a) The Company hereby appoints the Warrant Agent to act as agent of the Company as set forth in this Agreement. The Warrant Agent hereby accepts the appointment as agent of the Company and agrees to perform that agency upon the terms and conditions herein set forth, by all of which the Company and the Holders of Warrants, by their acceptance thereof, shall be bound. The Warrant Agent shall not by countersigning Warrant Certificates or by any other act hereunder be deemed to make any representation as to validity or authorization of the Warrants or the Warrant Certificates (except as to its countersignature thereon) or of any securities or other property delivered upon exercise of any Warrant, or as to the number or kind or amount of stock or other securities or other property deliverable upon exercise of any Warrant. The Warrant Agent shall not have any duty to calculate or determine any adjustments with respect either to the kind and amount of shares or other securities or any property receivable by Holders upon the exercise or tender of Warrants required from time to time, and the Warrant Agent shall have no duty or responsibility in determining the accuracy or correctness of any such calculation, other than to apply any adjustment, notice of which is given by the Company to the Warrant Agent to be mailed to the Holders in accordance with Section 8(i). The Warrant Agent shall not (a) be liable for any recital or statement of fact contained herein or in the Warrant Certificates or for any action taken, suffered or omitted by it in good faith on the belief that any Warrant Certificate or any other documents or any signatures are genuine or properly authorized, (b) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in the Warrant Certificates, or (c) be liable for any act or omission in connection with this Agreement except for its own negligence or willful misconduct. The Warrant Agent is hereby authorized to accept instructions with respect to the performance of its duties hereunder from any officer of the Company and to apply to any such officer for instructions (which instructions will be promptly given in writing when requested) and the Warrant Agent shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with the instructions of any such officer, except for its own negligence or wilful misconduct, but in its discretion the

Warrant Agent may in lieu thereof accept other evidence of such or may require such further or additional evidence as it may deem reasonable.

(b) The Warrant Agent shall not be under any obligation or duty to institute, appear in or defend any action, suit or legal proceeding in respect hereof, unless first indemnified to its satisfaction, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without such indemnity. The Warrant Agent shall promptly notify the Company in writing of any claim made or action, suit or proceeding instituted against it arising out of or in connection with this Agreement.

(c) The Company will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further acts, instruments and assurances as may reasonably be required by the Warrant Agent in order to enable it to carry out or perform its duties under this Agreement.

(d) The Company agrees to pay to the Warrant Agent from time to time compensation for all services rendered by it hereunder as the Company and the Warrant Agent may agree from time to time, and to reimburse the Warrant Agent for reasonable expenses and disbursements incurred in connection with the execution and administration of this Agreement (including the reasonable compensation and the expenses of its counsel), and further agrees to indemnify the Warrant Agent for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance and administration of this Agreement, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

(e) The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell and deal in any of the Warrants or other securities of the Company or its Affiliates or become pecuniarily interested in transactions in which the Company or its Affiliates may be interested, or contract with or lend money to the Company or its Affiliates or otherwise act as fully and freely as though it were not the Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(f) Anything in this Agreement to the contrary notwithstanding, in no event shall the Warrant Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to loss of profits), even if the Warrant Agent has been advised of the form of action.

Section 12. Resignation and Removal of Warrant Agent; Appointment of Successor. (a) No resignation or removal of the Warrant Agent and no appointment of a

successor warrant agent shall become effective until the acceptance of appointment by the successor warrant agent provided herein. The Warrant Agent may resign its duties and be discharged from all further duties and liability hereunder (except liability arising as a result of the Warrant Agent's own negligence, bad faith or willful misconduct) after giving written notice to the Company. The Company may remove the Warrant Agent upon written notice, and the Warrant Agent thereupon in like manner be discharged from all further duties and liabilities hereunder, except as aforesaid. The Warrant Agent shall, at the Company's expense, cause to be mailed (by first-class mail, postage prepaid) to each Holder at his last address as shown on the Register a copy of said notice of resignation or notice of removal, as the case may be. Upon such resignation or removal, the Company shall appoint in writing a new warrant agent. If the Company shall fail to make such appointment within a period of 60 days after it has been notified in writing of such resignation by the resigning Warrant Agent or after such removal, then the Holder may apply to any court of competent jurisdiction for the appointment of a new warrant agent. Any new warrant agent, whether appointed by the Company or by such a court, shall be a corporation doing business under the laws of the United States or any state thereof, in good standing and having a combined capital and surplus of not less than $50,000,000. The combined capital and surplus of any such new warrant agent shall be deemed to be the combined capital and surplus as set forth in the most recent annual report of its condition published by such warrant agent prior to its appointment, provided that such reports are published at least annually pursuant to law or to the requirements of a Federal or state supervising or examining authority. After acceptance in writing of such appointment by the new warrant agent, it shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning or removed Warrant Agent. Not later than the effective date of any such appointment, the Company shall give notice thereof to the resigning or removed Warrant Agent. Failure to give any notice provided for in this Section, however, or any defect therein, shall not affect the legality or validity of the resignation of the Warrant Agent or the appointment of a new warrant agent, as the case may be.

(b) Any corporation into which the Warrant Agent or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party, shall be a successor Warrant Agent under this Agreement without any further act, provided that such corporation (i) would be eligible for appointment as successor to the Warrant Agent under the provisions of Section 12(a) or (ii) is a wholly owned subsidiary of the Warrant Agent. Any such successor Warrant Agent shall promptly cause notice of its succession as Warrant Agent to be mailed (by first-class mail, postage prepaid) to each Holder at such Holder's last address as shown on the Register.

Section 13. Money, Securities and Other Property Deposited with the Warrant Agent. Any moneys, securities or other property that at any time shall be deposited on behalf of the Company with the Warrant Agent pursuant to this Agreement shall be and are hereby assigned, transferred and set over to the Warrant Agent in trust for the purpose for which such moneys, securities or other property shall have been deposited; but such moneys, securities or other property need not be segregated from other funds, securities or other property except to the extent required by law.

Section 14. Notices. (a) Except as otherwise provided in Section 14(b), any notice, demand or delivery authorized by this Agreement shall be sufficiently given or made when mailed if sent by first-class mail, postage prepaid, addressed to any Holder at such Holder's address shown on the Register and to the Company or the Warrant Agent as follows:

If to the Company: Viacom Inc.
1515 Broadway
New York, New York 10036

Attention: General Counsel and Secretary

If to the Warrant Agent: Harris Trust and Savings Bank
311 West Monroe Street
12th Floor
Chicago, Illinois 60606

Attention: Indenture Trust Division

or such other address as shall have been furnished to the party giving or making such notice, demand or delivery.

(b) Any notice required to be given by the Company to the Holders shall be made by mailing by registered mail, return receipt requested, to the Holders at their respective addresses shown on the Register. The Company hereby irrevocably authorizes the Warrant Agent, in the name and at the expense of the Company, to mail any such notice upon receipt thereof from the Company. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given when mailed, whether or not the Holder receives the notice.

Section 15. Amendments. The Company may from time to time supplement or amend this Agreement without the consent of any Holder, in order to (a) cure any ambiguity or correct or supplement any provision herein that may be defective or inconsistent with any other provision herein or (b) add to the covenants and agreements of the Company

for the benefit of the Holders, or surrender any rights or power reserved to or conferred upon the Company in this Agreement. The Warrant Agent shall join with the Company in the execution and delivery of any such supplemental agreements unless it affects the Warrant Agent's own rights, duties or immunities hereunder in which case such party may, but shall not be required to, join in such execution and delivery.

Section 16. Persons Benefiting. This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent, and their respective successors, assigns, beneficiaries, executors and administrators, and each registered Holder of the Warrants. Nothing in this Agreement is intended or shall be construed to confer upon any person, other than the Company, the Warrant Agent and the Holders of the Warrants, any right, remedy or claim under or by reason of this Agreement or any part hereof.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

Section 18. Surrender of Certificates. Any Warrant Certificate surrendered for exercise or purchase or otherwise acquired by the Company shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly cancelled by such Warrant Agent and shall not be reissued by the Company. The Warrant Agent shall destroy such cancelled Warrant Certificates and deliver its certificate of destruction to the Company unless the Company shall otherwise direct.

Section 19. Termination of Agreement. This Agreement shall terminate and be of no further force and effect on the earliest of (a) the Expiration date or (b) the date on which all of the Warrants have been exercised, except that the provisions of Sections 11 and 13 shall continue in full force and effect after such termination date.

Section 20. Governing Law. This Agreement and each Warrant issued hereunder and all rights arising hereunder shall be construed in accordance with and governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by its officer thereunto duly authorized as of the date first above written.

VIACOM INC.

By:_____
Name:
Title:

HARRIS TRUST AND SAVINGS BANK

By:_____
Name:
Title:

EXHIBIT A

FORM OF FACE OF WARRANT CERTIFICATE

WARRANTS TO PURCHASE CLASS B COMMON STOCK
OF VIACOM INC.

No. ____ Certificate for ___ Warrants

This certifies that _____, or registered assigns, is the registered holder of the number of Warrants set forth above (the "Warrants"). Each whole Warrant entitles the holder thereof (a "Holder"), subject to the provisions contained herein and in the Warrant Agreement referred to below, to purchase from Viacom Inc., a Delaware corporation (the "Company"), one share of Class B Common Stock, par value $.01 per share, of the Company ("Common Stock"), at the exercise price (the "Exercise Price") of $70.00 per share, subject to adjustment upon the occurrence of certain events. This Warrant Certificate shall terminate and become void as of the close of business on the fifth anniversary of the filing of a certificate of merger with the Secretary of State of the State of Delaware in connection with the merger of Viacom Sub Inc. with and into Paramount Communications Inc. (the "Expiration Date").

This Warrant Certificate is issued under and in accordance with the Warrant Agreement, dated as of [ ] (the "Warrant Agreement"), between the Company and Harris Trust and Savings Bank, as warrant agent (the "Warrant Agent", which term includes any successor Warrant Agent under the Warrant Agreement), and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Warrant Agent and the Holders of the Warrants.

As provided in the Warrant Agreement and subject to the terms and conditions therein set forth, the Warrants are immediately exercisable . At 5:00 P.M. (New York City time) on the Expiration Date, each Warrant not exercised prior thereto shall terminate and become void and of no value.

The Exercise Price and the number of shares of Common Stock issuable upon the exercise of each whole Warrant are subject to adjustment as provided in the Warrant Agreement.

All shares of Common Stock issuable by the Company upon the exercise of Warrants shall, upon such issue, be duly and validly issued and fully paid and non-assessable.

In order to exercise a Warrant, the registered holder hereof must surrender this Warrant Certificate at the office of the Warrant Agent, with the Exercise Subscription Form on the reverse hereof duly executed by the Holder hereof, with signature guaranteed as therein specified, together with any required payment in full of the Exercise Price then in effect for the share(s) of Common Stock as to which the Warrant(s) represented by this Warrant Certificate are submitted for exercise, all subject to the terms and conditions hereof and of the Warrant Agreement.

Payment of the Exercise Price shall be (i) in cash or by certified or official bank check payable to the order of the Company or (ii) made by exchanging, if issued, either Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, of the Company ("Series C Preferred Stock") with a liquidation preference equal to the Exercise Price or 5% Subordinated Debentures due 2014 of the Company ("Viacom Exchange Debentures") with a principal amount equal to the Exercise Price; provided, however, that if a Holder shall elect to make payment of the Exercise Price by exchanging Series C Preferred Stock or Viacom Exchange Debentures (collectively, the "Exchange Securities"), then the Aggregate Exchange Value (as defined below) of the securities so exchanged must be equal to or less than the aggregate Exercise Price (the "Aggregate Exercise Price") to be paid with respect to all Warrants surrendered by such Holder pursuant to Section 4(e) of the Warrant Agreement and the remainder, if any, shall be payable by such Holder in cash or by certified or official bank check payable to the order of the Company. "Aggregate Exchange Value" shall mean the aggregate liquidation preference or principal amount, as the case may be, of the Exchange Securities surrendered in payment of the Aggregate Exercise Price pursuant to Section 4(b) of the Warrant Agreement.

All funds received upon the exercise of Warrants shall be deposited by the Warrant Agent for the account of the Company, unless otherwise instructed in writing by the Company. If a Holder shall pay the Exercise Price by exchanging Exchange Securities, such Holder shall surrender the certificate or certificates representing such Exchange Securities to the Warrant Agent. Following such exchange, the holders of such Exchange Securities shall cease to have any further rights with respect to those Exchange Securities.

The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of Common Stock upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or other governmental charge which may be payable in respect of any transfer involved in the issue or delivery of any Warrant

Certificates or certificates for Common Stock issued upon the exercise of Warrants in a name other than that of the registered Holder of such Warrants, and the Company shall not register any such transfer or issue any such certificate until such tax or governmental charge, if required, shall have been paid.

This Warrant Certificate and all rights hereunder are transferable by the registered holder hereof, in whole or in part, on the register of the Company, upon surrender of this Warrant Certificate for registration of transfer at the office of the Warrant Agent maintained for such purpose in the City of New York or the City of Chicago, Illinois, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent duly executed by the Holder hereof, or his attorney duly authorized in writing, with signature guaranteed as specified in the attached Form of Assignment. Upon any partial transfer, the Company will issue and deliver to such holder a new Warrant Certificate or Certificates with respect to any portion not so transferred; provided, however, that the Company shall not be required to issue and deliver Warrant Certificates representing fractional warrants.

No service charge shall be made for any registration of transfer or exchange of the Warrant Certificates, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Each taker and holder of this Warrant Certificate by taking or holding the same, consents and agrees that this Warrant Certificate when duly endorsed in blank shall be deemed negotiable and that when this Warrant Certificate shall have been so endorsed, the holder hereof may be treated by the Company, the Warrant Agent and all other persons dealing with this Warrant Certificate as the sole and absolute owner hereof for any purpose and as the person solely entitled to exercise the rights represented hereby, or to the transfer hereof on the register of the Company maintained by the Warrant Agent, any notice to the contrary notwithstanding, but until such transfer on such register, the Company and the Warrant Agent may treat the registered Holder hereof as the owner for all purposes.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

All terms used in this Warrant Certificate that are defined in the Warrant Agreement shall have the meanings assigned to them in the Warrant Agreement.

Copies of the Warrant Agreement are on file at the office of the Warrant Agent and may be obtained by writing to the Warrant Agent at the following address: 311 West Monroe Street, Chicago, Illinois 60606.

This Warrant Certificate shall not be valid for any purpose until it shall have been countersigned by the Warrant Agent.

Dated: _____, 19__

VIACOM INC.

By: _____
Name and Title:

Countersigned:

HARRIS TRUST AND SAVINGS BANK,
as Warrant Agent

_____

By:_____
Authorized Officer

RESTRICTIONS ON TRANSFER AND VOTING OF COMMON STOCK: THE RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, OF THE COMPANY PROVIDES THAT, SO LONG AS THE COMPANY OR ANY OF ITS SUBSIDIARIES HOLDS ANY AUTHORIZATION FROM THE FEDERAL COMMUNICATIONS COMMISSION (OR ANY SUCCESSOR THERETO), IF THE COMPANY HAS REASON TO BELIEVE THAT THE OWNERSHIP, OR PROPOSED OWNERSHIP, OF SHARES OF CAPITAL STOCK OF THE COMPANY BY ANY STOCKHOLDER OR ANY PERSON PRESENTING ANY SHARES OF CAPITAL STOCK OF THE COMPANY FOR TRANSFER INTO HIS NAME (A "PROPOSED TRANSFEREE") MAY BE INCONSISTENT WITH, OR IN VIOLATION OF, ANY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS (AS HEREINAFTER DEFINED), SUCH HOLDER OR PROPOSED TRANSFEREE, UPON REQUEST OF THE COMPANY, SHALL FURNISH PROMPTLY TO THE COMPANY SUCH INFORMATION (INCLUDING, WITHOUT LIMITATION, INFORMATION WITH RESPECT TO CITIZENSHIP, OTHER OWNERSHIP INTERESTS AND AFFILIATIONS) AS THE COMPANY SHALL REASONABLY REQUEST TO DETERMINE WHETHER

THE OWNERSHIP OF, OR THE EXERCISE OF ANY RIGHTS WITH RESPECT TO SHARES OF CAPITAL STOCK OF THE COMPANY BY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE IS INCONSISTENT WITH, OR IN VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS. AS USED HEREIN, THE TERM "FEDERAL COMMUNICATIONS LAWS" SHALL MEAN ANY LAW OF THE UNITED STATES NOW OR HEREAFTER IN EFFECT (AND ANY REGULATION THEREUNDER) PERTAINING TO THE OWNERSHIP OF, OR THE EXERCISE OF RIGHTS OF OWNERSHIP WITH RESPECT TO, CAPITAL STOCK OF CORPORATIONS HOLDING, DIRECTLY OR INDIRECTLY, FEDERAL COMMUNICATIONS COMMISSION AUTHORIZATIONS, INCLUDING, WITHOUT LIMITATION, THE COMMUNICATIONS ACT OF 1934, AS AMENDED (THE "COMMUNICATIONS ACT"), AND REGULATIONS THEREUNDER PERTAINING TO THE OWNERSHIP, OR THE EXERCISE OF THE RIGHTS OF OWNERSHIP, OF CAPITAL STOCK OF CORPORATIONS HOLDING, DIRECTLY OR INDIRECTLY, FEDERAL COMMUNICATIONS COMMISSION AUTHORIZATIONS, BY (I) ALIENS, AS DEFINED IN OR UNDER THE COMMUNICATIONS ACT, AS IT MAY BE AMENDED FROM TIME TO TIME, (II) PERSONS OR ENTITIES HAVING INTERESTS IN TELEVISION OR RADIO STATIONS, DAILY NEWSPAPERS AND CABLE TELEVISION SYSTEMS OR (III) PERSONS OR ENTITIES, UNILATERALLY OR OTHERWISE, SEEKING DIRECT OR INDIRECT CONTROL OF THE COMPANY, AS CONSTRUED UNDER THE COMMUNICATIONS ACT, WITHOUT HAVING OBTAINED ANY REQUISITE PRIOR FEDERAL REGULATORY APPROVAL OF SUCH CONTROL. IF ANY STOCKHOLDER OR PROPOSED TRANSFEREE FROM WHOM INFORMATION IS REQUESTED AS DESCRIBED ABOVE SHOULD FAIL TO RESPOND TO SUCH REQUEST OR THE COMPANY SHALL CONCLUDE THAT THE OWNERSHIP, OR THE EXERCISE OF ANY RIGHTS OF OWNERSHIP WITH RESPECT TO, SHARES OF CAPITAL STOCK OF THE COMPANY BY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE COULD RESULT IN ANY INCONSISTENCY WITH, OR VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS, THE COMPANY MAY REFUSE TO PERMIT THE TRANSFER OF SHARES OF CAPITAL STOCK OF THE COMPANY TO SUCH PROPOSED TRANSFEREE, OR MAY SUSPEND THOSE RIGHTS OF STOCK OWNERSHIP THE EXERCISE OF WHICH WOULD RESULT IN ANY INCONSISTENCY WITH, OR VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS, SUCH REFUSAL OF TRANSFER OR SUSPENSION TO REMAIN IN EFFECT UNTIL THE REQUESTED INFORMATION HAS BEEN RECEIVED AND THE COMPANY HAS DETERMINED THAT SUCH TRANSFER OR THE EXERCISE OF SUCH SUSPENDED RIGHTS, AS THE CASE MAY BE, IS PERMISSIBLE UNDER THE FEDERAL COMMUNICATIONS LAWS, AND THE COMPANY MAY EXERCISE ANY AND ALL APPROPRIATE REMEDIES, AT LAW OR IN EQUITY, IN ANY COURT OF COMPETENT JURISDICTION,

AGAINST ANY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE, WITH A VIEW TOWARDS OBTAINING SUCH INFORMATION OR PREVENTING OR CURING ANY SITUATION WHICH WOULD CAUSE ANY INCONSISTENCY WITH, OR VIOLATION OF, ANY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS, AS USED HEREIN, THE WORD "PERSON" SHALL INCLUDE NOT ONLY NATURAL PERSONS BUT PARTNERSHIPS, ASSOCIATIONS, CORPORATIONS, JOINT VENTURES, AND OTHER ENTITIES AND THE "REGULATION" SHALL INCLUDE NOT ONLY REGULATIONS BUT RULES, PUBLISHED POLICIES AND PUBLISHED CONTROLLING INTERPRETATIONS BY AN ADMINISTRATIVE AGENCY OR BODY EMPOWERED TO ADMINISTER A STATUTORY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS

FORM OF REVERSE OF WARRANT CERTIFICATE

EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of Warrant)

To: Viacom Inc.

The undersigned irrevocably exercises _____ of the Warrants for the purchase of one share (subject to adjustment) of Class B Common Stock, par value $.01 per share, of Viacom Inc., for each whole Warrant represented by the Warrant Certificate. The undersigned herewith makes payment of $_____, with such payment to be made (i) by surrendering herewith Series C Cumulative Exchangeable Preferred Stock, par value $.01 per share, of Viacom Inc. with a liquidation preference of $ _____, (ii) by surrendering herewith 5% Subordinated Debentures due 2014 of Viacom Inc. with a principal amount of $_____ and/or (iii) by delivering herewith cash or a certified or official bank check payable to the order of Viacom Inc. in the amount of $_____. The Warrants are being exercised at the Exercise Price and on the terms and conditions specified in the Warrant Certificate and the Warrant Agreement which is referred to therein. The undersigned surrenders this Warrant Certificate and all right, title and interest therein to _____ and directs that the shares of Common Stock deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Date: _____, 19 . . . . . (1)

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Guaranteed by:

_____

---

(1) The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatever, and must be guaranteed by a national bank or trust company or by a member of any national securities exchange.

Securities and/or check to be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

Any unexercised Warrants evidenced by the within Warrant Certificate to be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered holder of the within Warrant Certificate hereby sells, assigns, and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by the within Warrant Certificate not being assigned hereby) all of the right of the undersigned under the within Warrant Certificate, with respect to the number of whole Warrants set forth below:

Names of Assignees	Address	Social Security or other identifying number of assignee(s)	Number of Warrants

and does hereby irrevocably constitute and appoint
---
the undersigned's attorney to
---
make such transfer on the books of
---
maintained for that purpose, with full power of substitution
---
in the premises.

Date: , 19 (1)
---- ----

(Signature of Owner)

(Street Address)

(City) (State)
(Zip Code)

Signature Guaranteed by:

---

(1) The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatever, and must be guaranteed by a national bank or trust company or by a member of any national securities exchange.

NUMBER
R

SHARES
_____

CUSIP _____

SERIES C CUMULATIVE EXCHANGEABLE REDEEMABLE PREFERRED STOCK
PAR VALUE $0.01 PER SHARE

SEE REVERSE FOR CERTAIN DEFINITIONS AND A STATEMENT AS TO THE RIGHTS, PREFERENCES, PRIVILEGES AND AND RESTRICTIONS OF SHARES

VIACOM
VIACOM INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFICATE IS TRANSFERABLE IN NEW YORK, NY AND CHICAGO, IL.

This certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE SERIES C CUMULATIVE EXCHANGEABLE REDEEMABLE PREFERRED STOCK OF VIACOM INC. (the "Corporation"), transferable on the books of the Corporation in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the Restated Certificate of Incorporation, as amended, the Certificate of Designation of the Series C Cumulative Exchangeable Redeemable Preferred Stock and the Bylaws, as amended, of the Corporation, to all of which the holder by acceptance hereof assents. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Countersigned and Registered: HARRIS TRUST AND SAVINGS BANK,
Transfer Agent and Registrar

Authorized Signature

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

VIACOM INC.
CORPORATE SEAL
1986
DELAWARE

/s/ Frank J. Biondi, Jr.
President

/s/ Philippe P. Dauman
Secretary

VIACOM INC.

THE CORPORATION WILL FURNISH WITHOUT CHARGE, TO EACH STOCKHOLDER WHO SO REQUESTS, THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF OF THE CORPORATION AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTION OF SUCH PREFERENCES AND/OR RIGHTS.

RESTRICTIONS ON TRANSFER AND VOTING THE RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, OF THE CORPORATION PROVIDES THAT, SO LONG AS THE CORPORATION OR ANY OF ITS SUBSIDIARIES HOLDS ANY AUTHORIZATION FROM THE FEDERAL COMMUNICATIONS COMMISSION (OR ANY SUCCESSOR THERETO), IF THE CORPORATION HAS REASON TO BELIEVE THAT THE OWNERSHIP, OR PROPOSED OWNERSHIP, OF SHARES OF CAPITAL STOCK OF THE CORPORATION BY ANY STOCKHOLDER OR ANY PERSON PRESENTING ANY SHARES OF CAPITAL STOCK OF THE CORPORATION FOR TRANSFER INTO HIS NAME (A "PROPOSED TRANSFEREE") MAY BE INCONSISTENT WITH, OR IN VIOLATION OF, ANY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS (AS HEREINAFTER DEFINED), SUCH STOCKHOLDER OR PROPOSED TRANSFEREE UPON REQUEST OF THE CORPORATION, SHALL FURNISH PROMPTLY TO THE CORPORATION SUCH INFORMATION (INCLUDING, WITHOUT LIMITATION, INFORMATION WITH RESPECT TO CITIZENSHIP, OTHER OWNERSHIP INTERESTS AND AFFILIATIONS) AS THE CORPORATION SHALL REASONABLY REQUEST TO DETERMINE WHETHER THE OWNERSHIP OF, OR THE EXERCISE OF ANY RIGHTS WITH RESPECT TO, SHARES OF CAPITAL STOCK OF THE CORPORATION BY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE IS

INCONSISTENT WITH, OR IN VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS AS USED HEREIN. THE TERM "FEDERAL COMMUNICATIONS LAWS" SHALL MEAN ANY LAW OF THE UNITED STATES NOW OR HEREAFTER IN EFFECT (AND ANY REGULATION THEREUNDER) PERTAINING TO THE OWNERSHIP OF OR THE EXERCISE OF RIGHTS OF OWNERSHIP WITH RESPECT TO, CAPITAL STOCK OF CORPORATIONS HOLDING, DIRECTLY OR INDIRECTLY, FEDERAL COMMUNICATIONS COMMISSION AUTHORIZATIONS, INCLUDING, WITHOUT LIMITATION, THE COMMUNICATIONS ACT OF 1934 AS AMENDED (THE "COMMUNICATIONS ACT"), AND REGULATIONS THEREUNDER PERTAINING TO THE OWNERSHIP OR THE EXERCISE OF THE RIGHTS OF OWNERSHIP OF CAPITAL STOCK OF CORPORATIONS HOLDING, DIRECTLY OR INDIRECTLY, FEDERAL COMMUNICATIONS COMMISSION AUTHORIZATIONS BY (i) ALIENS, AS DEFINED IN OR UNDER THE COMMUNICATIONS ACT, AS IT MAY BE AMENDED FROM TIME TO TIME, (ii) PERSONS AND ENTITIES HAVING INTERESTS IN TELEVISION OR RADIO STATIONS, DAILY NEWSPAPERS AND CABLE TELEVISION SYSTEMS OR (iii) PERSONS OR ENTITIES, UNILATERALLY OR OTHERWISE, SEEKING DIRECT OR INDIRECT CONTROL OF THE CORPORATION, AS CONSTRUED UNDER THE COMMUNICATIONS ACT, WITHOUT HAVING OBTAINED ANY REQUISITE PRIOR FEDERAL REGULATORY APPROVAL OF SUCH CONTROL. IF ANY STOCKHOLDER OR PROPOSED TRANSFEREE FROM WHOM INFORMATION IS REQUESTED AS DESCRIBED ABOVE SHOULD FAIL TO RESPOND TO SUCH REQUEST OR THE CORPORATION SHALL CONCLUDE THAT THE OWNERSHIP OF, OR THE EXERCISE OF ANY RIGHTS OF OWNERSHIP WITH RESPECT TO, SHARES OF CAPITAL STOCK OF THE CORPORATION BY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE COULD RESULT IN ANY INCONSISTENCY WITH, OR VIOLATION

OF, THE FEDERAL COMMUNICATIONS LAWS, THE CORPORATION MAY REFUSE TO PERMIT THE TRANSFER OF SHARES OF CAPITAL STOCK OF THE CORPORATION TO SUCH PROPOSED TRANSFEREE, OR MAY SUSPEND THOSE RIGHTS OF STOCK OWNERSHIP THE EXERCISE OF WHICH WOULD RESULT IN ANY INCONSISTENCY WITH, OR VIOLATION OF, THE FEDERAL COMMUNICATIONS LAWS, SUCH REFUSAL OF TRANSFER OR SUSPENSION TO REMAIN IN EFFECT UNTIL THE REQUESTED INFORMATION HAS BEEN RECEIVED AND THE CORPORATION HAS DETERMINED THAT SUCH TRANSFER, OR THE EXERCISE OF SUCH SUSPENDED RIGHTS, AS THE CASE MAY BE, IS PERMISSIBLE UNDER THE FEDERAL COMMUNICATIONS LAWS, AND THE CORPORATION MAY EXERCISE AND ALL APPROPRIATE REMEDIES AT LAW OR IN EQUITY, IN ANY COURT OF COMPETENT JURISDICTION, AGAINST ANY SUCH STOCKHOLDER OR PROPOSED TRANSFEREE WITH A VIEW TOWARDS OBTAINING SUCH INFORMATION OR PREVENTING OR CURING ANY SITUATION WHICH WOULD CAUSE ANY INCONSISTENCY WITH, OR VIOLATION OF, ANY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS AS USED HEREIN. THE WORD "PERSON" SHALL INCLUDE NOT ONLY NATURAL PERSONS BUT PARTNERSHIPS, ASSOCIATIONS, CORPORATIONS, JOINT VENTURES AND OTHER ENTITIES, AND THE WORD "REGULATION" SHALL INCLUDE NOT ONLY REGULATIONS BUT RULES, PUBLISHED POLICIES AND PUBLISHED CONTROLLING INTERPRETATIONS BY AN ADMINISTRATIVE AGENCY OR BODY EMPOWERED TO ADMINISTER A STATUTORY PROVISION OF THE FEDERAL COMMUNICATIONS LAWS.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right
of survivorship and not as
tenants in common

UNIF GIFT MIN ACT - .....Custodian.....
(Cust) (Minor)

under Uniform Gifts to Minors

Act.....
(State)

Additional abbreviations may also be used through not in the above list.

For value received.....hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

.....

.....
Please print or typewrite name and address including postal zip code of assignee

.....

.....Shares of the capital stock represented by the within Certificate, and do
hereby irrevocably constitute and appoint.....

.....
Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Notice: The signature to this assignment must correspond with the name as written upon the face of the Certificate, in every particular, without alteration or enlargement or any change whatever.

Dated.....

(212) 848-7325

June 2, 1994

Viacom Inc.
200 Elm Street
Dedham, Massachusetts 02026

Ladies and Gentlemen:

We have acted as counsel for Viacom Inc., a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-4 (the "Registration Statement") filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), relating to the solicitation of proxies in connection with the merger of a wholly-owned subsidiary of the Company with and into Paramount Communications Inc. and to the registration under the Securities Act of (i) 56,895,733 shares of the Company's Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), (ii) $1,069,870,865 principal amount of the Company's 8% Exchangeable Subordinated Debentures due 2006 (the "Merger Debentures"), the Series C Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, of the Company (the "Series C Preferred Stock") which may be issued in exchange for the Merger Debentures and the 5% Subordinated Debentures due 2014 of the Company (the "Exchange Debentures", and together with the Merger Debentures, the "Debentures") which may be issued in exchange for the Series C Preferred Stock, (iii) 56,895,733 of the Company's contingent value rights (the "CVRs"), (iv) 30,567,739 of the Company's three-year warrants to purchase one share of Class B Common Stock at $60 per share (the "Three-Year Warrants") and the Class B Common Stock which is issuable upon the exercise thereof and (v) 18,340,643 of the Company's five-year warrants to purchase one share of Class B Common Stock at $70 per share (the "Five-Year Warrants", and together with the Three-Year Warrants, the "Warrants") and the Class B Common Stock which is issuable upon the exercise thereof. The Class B Common Stock issuable upon exercise of the Warrants is hereinafter referred to as the "Additional Class B Common Stock". Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Registration Statement.

The Debentures are to be issued under an indenture (the "Indenture") in the form included in the Registration Statement as Exhibit 4.5, the Series C Preferred Stock is to be governed by the Certificate of Designation of Series C Cumulative Exchangeable Redeemable Preferred Stock (the "Certificate of Designation") in the form included in the Registration Statement as Exhibit 4.4, the CVRs are to be governed by the Contingent Value Rights Agreement (the "CVR Agreement") in the form included in the Registration Statement as Exhibit 4.6, the Three-Year Warrants are to be governed by the Warrant Agreement (the "Three-Year Warrant Agreement") in the form included in the Registration Statement as Exhibit 4.7 and the Five-Year Warrants are to be governed by the Warrant Agreement (the "Five Year Warrant Agreement", and together with the Three-Year Warrant Agreement, the "Warrant Agreements") in the form included in the Registration Statement as Exhibit 4.8.

In so acting, we have examined the Registration Statement including the joint proxy statement/prospectus (the "Joint Proxy Statement/Prospectus") contained therein, the Indenture, the Certificate of Designation, the CVR Agreement and the Warrant Agreements. We have also examined and relied as to factual matters upon the representations and warranties contained in originals, or copies certified or otherwise identified to our satisfaction, of such records, documents, certificates and other

instruments as in our judgment are necessary or appropriate to enable us to render the opinions expressed below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents, certificates and instruments submitted to us as originals and the conformity with originals of all documents submitted to us as copies.

In connection with these opinions, we have assumed that each of the following shall occur on or prior to the issuance of the Class B Common Stock, the Debentures, the Series C Preferred Stock, the CVRs, the Warrants and the Additional Class B Common Stock (a) the holders of Viacom Class A Common Stock at the Viacom Special Meeting approve and adopt the Paramount Merger Agreement (including the issuance of the Paramount Merger Consideration) and approve the Viacom Charter Amendments, (b) the holders of Paramount Common Stock (the "Paramount Stockholders") at the Paramount Special Meeting approve and adopt the Paramount Merger Agreement, (c) there shall have been filed with the Secretary of State of the State of Delaware (i) the "Certificate of Merger Merging Viacom Sub Inc. with and into Paramount Communications Inc." in the form set forth in Annex VI to the Joint Proxy Statement/Prospectus and (ii) the "Certificate of Amendment to the Restated Certificate of Incorporation of Viacom" in the form set forth in Annex VII to the Joint Proxy Statement/Prospectus.

The opinions expressed below are limited to the law of the State of New York, the General Corporation Law of Delaware and the federal law of the United States, and we do not express any opinion herein concerning any other law.

Based upon the foregoing, and having regard for such legal considerations as we have deemed relevant, we are of the opinion that:

1. The Class B Common Stock will be duly authorized by the Company and when issued by the Company to the Paramount Stockholders as contemplated by the Paramount Merger Agreement, will be validly issued, fully paid and non-assessable.

2. The Debentures and the Indenture will be duly authorized by the Company, and when (a) the Indenture has been duly executed and delivered by the parties thereto, (b) the Debentures have been duly executed by the Company and duly authenticated by the trustee under the Indenture and (c) the Debentures have been duly issued by the Company to the Paramount Stockholders as contemplated by the Paramount Merger Agreement in the case of the Merger Debentures and to the holders of the Series C Preferred Stock in the case of the Exchange Debentures, in each case, in accordance with the provisions of the Indenture (including the provisions of the Indenture regarding establishment of the forms of Debentures) and the provisions of the Certificate of Designation in the case of the Exchange Debentures, the Debentures will be validly issued and will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, entitled to the benefit of the Indenture.

3. The Series C Preferred Stock will be duly authorized and when the Series C Preferred Stock is issued by the Company to the holders of the Merger Debentures in accordance with the Certificate of Designation and the provisions of the Indenture, the Series C Preferred Stock will be validly issued, fully paid and non-assessable.

4. The CVRs and the CVR Agreement will be duly authorized by the Company, and when (a) the CVR Agreement has been duly executed and delivered by the parties thereto, (b) the CVRs have been duly executed by the Company and duly authenticated by the CVR Trustee under the CVR Agreement and (c) the CVRs have been duly issued by the Company to the Paramount Stockholders as contemplated by the Paramount Merger Agreement in accordance with the provisions of the CVR Agreement (including the provisions of the CVR Agreement regarding establishment of the form of CVRs), the CVRs will be validly issued and will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, entitled to the benefit of the CVR Agreement.

5. The Warrants and the Warrant Agreements will be duly authorized by the Company, and when (a) the Warrant Agreements have been duly executed and

delivered by the parties thereto, (b) the Warrants have been duly executed by the Company and duly countersigned by the warrant agents under the Warrant Agreements and (c) the Warrants have been duly issued by the Company to the Paramount Stockholders as contemplated by the Paramount Merger Agreement in accordance with the provisions of the Warrant Agreements (including the provisions of the Warrant Agreements regarding establishment of the forms of Warrants), the Warrants will be validly issued and will constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their terms, entitled to the benefit of the Warrant Agreements.

6. The Additional Class B Common Stock will be duly authorized by the Company and when issued by the Company to the holders of the Warrants in accordance with the provisions of the Warrant Agreements against receipt of the exercise price therefor, the Additional Class B Common Stock will be validly issued, fully paid and non-assessable.

The opinions set forth in paragraphs 2., 4. and 5. above are subject to (i) the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting creditors' rights generally and (ii) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us under the headings "Special Factors - Certain Federal Income Tax Consequences" and "Experts - Legal Matters" contained in the Joint Proxy Statement/Prospectus.

Very truly yours,

26741/NYL3

Viacom-Paramount and the Combined Company
Unaudited Pro Forma Combined
Ratio of Earnings to Fixed Charges
For the Three Months Ended March 31, 1994
(In millions, except ratios)

	Viacom								
	Viacom	Pro Forma Adjustments	Pro Forma	Pro Forma Paramount	Paramount Merger Adjustments	Viacom-Paramount	Pro Forma Blockbuster	Blockbuster Merger Adjustments	Combined Company
Earnings before income taxes	($352.3)	2.4	($349.9)	($84.5)	$267.3	($167.1)	$104.8	($31.4)	($93.7)
Add:									
Distributed income of affiliated companies	7.8	(4.5)	3.3			3.3			3.3
Distributed income of affiliated companies, net of equity pick-up				(2.3)		(2.3)			(2.3)
Interest expense, net of capitalized interest	61.4	(2.4)	59.0	14.1	65.9	139.0	22.0		161.0
Capitalized interest amortized	1.9		1.9	1.9		3.8			3.8
Interest rate factor of rental expense	8.7		8.7	5.7		14.4	17.0		31.4
Earnings	($272.5)	($4.5)	($277.0)	($65.1)	$333.2	($8.9)	$143.8	($31.4)	$103.5
Fixed Charges:									
Interest costs on all indebtedness	$62.4	($2.4)	$60.0	$15.9	$65.9	$141.8	$22.0		$163.8
Interest rate factor of rental expense	8.7		8.7	5.7		14.4	17.0		31.4
Total fixed charges	71.1	(2.4)	68.7	21.6	65.9	156.2	39.0		195.2
Preferred stock dividend requirement	17.6		17.6			17.6		(5.9)	11.7
Total fixed charges and preferred stock dividend requirements	$88.7	($2.4)	$86.3	$21.6	$65.9	$173.8	$39.0	($5.9)	$206.9
Ratio of earnings to fixed charges	(a)		(a)	(a)		(a)	3.7x		(a)
Ratio of earnings to fixed charges and preferred stock dividend requirements	(b)		(b)	(b)		(b)	3.7x		(b)
(a) Additional earnings required to cover fixed charges	$343.6		$345.7	$86.7		$165.1			$91.7
(b) Additional earnings required to cover combined fixed charges and preferred stock dividends	$361.2		$363.3	$86.7		$182.7			$103.4

Viacom-Paramount and the Combined Company
Unaudited Pro Forma Combined
Ratio of Earnings to Fixed Charges
For the Year Ended December 31, 1993
(In millions, except ratios)

	Viacom								
	Viacom	Pro Forma Adjustments	Pro Forma	Pro Forma Paramount	Offer and Paramount Merger Adjustments	Viacom-Paramount	Pro Forma Blockbuster	Blockbuster Merger Adjustments	Combined Company

Earnings before income taxes	$301.8	$8.9	$310.7	$241.7	($399.5)	$152.9	$360.4	($125.4)	$387.9
Add:									
Distributed income of affiliated companies	13.4	(12.0)	1.4	--		1.4			1.4
Distributed income of affiliated companies, net of equity pick-up.				(9.5)		(9.5)			(9.5)
Interest expense, net of capitalized interest	154.1	(8.9)	145.2	76.0	250.5	471.7	98.7		570.4
Capitalized interest amortized	2.1		2.1	6.2		8.3			8.3
Interest rate factor of rental expense	24.8		24.8	33.8		58.6	60.4		119.0
Preferred stock dividends of majority-owned subsidiaries						0.8			0.8
Earnings	$496.2	($12.0)	$484.2	$348.2	($149.0)	$683.4	$520.3	($125.4)	$1,078.3
Fixed Charges:									
Interest costs on all indebtedness	$154.5	($8.9)	$145.6	$82.4	$250.5	$478.5	$98.7		$577.2
Interest rate factor of rental expense	24.8		24.8	33.8		58.6	60.4		119.0
Preferred stock dividends of majority-owned subsidiaries							0.8		0.8
Total fixed charges	179.3	(8.9)	170.4	116.2	250.5	537.1	159.9		697.0
Preferred stock dividend requirement	22.4	130.2	152.6			152.6		(51.0)	101.6
Total fixed charges and preferred stock dividend requirements	$201.7	$121.3	$323.0	$116.2	$250.5	$689.7	$159.9	($51.0)	$798.6
Ratio of earnings to fixed charges	2.8x		2.8x	3.0x		1.3x	3.3x		1.5x
Ratio of earnings to fixed charges and preferred stock dividend requirements	2.5x		1.5x	3.0x		(a)	3.3x		1.4x

(a) Pro forma earnings of Viacom-Paramount were insufficient to cover pro forma combined fixed charges and preferred stock dividends; additional pro forma earnings required to cover combined fixed charges and preferred stock dividends would be $6.3 million.

VIACOM INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND
RATIO OF EARNING TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(In millions, except ratios)

	Three Months Ended March 31,		Year Ended December 31,				
	1994	1993	1993	1992	1991	1990	1989
Earnings (loss) before income taxes	$(352.3)	$102.1	$301.8	$155.6	$ 8.2	$(70.4)	$144.9
Add:							
Distributed income of affiliated companies	7.8	.6	13.4	9.5	5.6	2.8	4.5
Interest expense, net of capitalized interest	61.4	41.2	154.1	195.2	298.1	295.3	313.1
Capitalized interest amortized	1.9	.6	2.1	2.4	2.3	2.3	2.3
1/3 of rental expense	8.7	6.3	24.8	22.6	21.5	18.8	15.5
Earnings (Loss)	$(272.5)	$150.8	$496.2	$385.3	$335.7	$ 248.8	$480.3
Fixed charges:							
Interest costs on all indebtedness	$ 62.4	$ 41.3	$154.5	$195.7	$298.6	$296.1	$313.8
1/3 of rental expense	8.7	6.3	24.8	22.6	21.5	18.8	15.5
Total fixed charges	$ 71.1	$ 47.6	$179.3	$218.3	$320.1	$314.9	$329.3
Ratio of earnings to fixed charges	Note (a)	3.2X	2.8X	1.8X	1.0X	Note (a)	1.5X
Ratio of earnings to combined fixed charges and preferred stock dividends	Note (b)	--	--	--	--	--	1.3X

(a) Earnings were inadequate to cover fixed charges; the additional amount of earnings required to cover fixed charges for the three months ended March 31, 1994, and the year ended December 31, 1990, would have been $343.6 million and $66.2 million, respectively.

(b) Earnings were inadequate to cover combined fixed charges and preferred stock dividends; the additional amount of earnings required to cover combined fixed charges and preferred stock dividends for the three months ended March 31, 1994, would have been $361.2 million.

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Prospectus constituting part of this Registration Statement on Form S-4 of Viacom Inc. of our reports dated February 4, 1994, except as to Note 2, which is as of March 11, 1994, which appear on pages 11-32 and F-2 of the Viacom Inc. Annual Report on Form 10-K for the year ended December 31, 1993 as amended by Form 10-K/A Amendment No. 1. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Price Waterhouse

Price Waterhouse
New York, New York
June 3, 1994

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Proxy Statement/Prospectus of Viacom Inc. for the registration of 105,804,115 shares of Class B common stock, $1,069,870,865 of 8% exchangeable subordinated debentures, 56,895,733 contingent value rights, 30,567,739 three-year warrants and 18,340,643 five-year warrants and 21,397,417 shares of Series C cumulative exchangeable redeemable preferred stock and to the incorporation by reference therein of our reports dated August 27, 1993, except for Notes A and I, as to which the date is September 10, 1993, with respect to the consolidated financial statements and schedules of Paramount Communications Inc. included in its Transition Report (Form 10-K) for the six months ended April 30, 1993, as amended September 28, 1993, as further amended September 30, 1993, and as futher amended March 21, 1994, all filed with the Securities and Exchange Commission.

/s/ Ernst & Young

ERNST & YOUNG

New York, New York
May 31, 1994

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated March 23, 1994 included in Blockbuster Entertainment Corporation's Form 10-K for the year ended December 31, 1993 and to all references to our Firm included in this registration statement.

/s/ Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Fort Lauderdale, Florida,
May 31, 1994.

CONSENT OF COUNSEL

The undersigned hereby consents to the reference to this firm under the caption "SPECIAL FACTORS - Certain Federal Income Tax Consequences" in the Registration Statement on Form S-4 filed by Viacom Inc. and in the Joint Proxy Statement/ Prospectus of Viacom Inc. and Paramount Communications Inc. for the Special Meetings of Stockholders of Viacom Inc. and Paramount Communications Inc. and the Annual Meeting of Stockholders of Viacom Inc. which constitutes part of such Registration Statement.

/s/ Simpson Thacher & Bartlett
SIMPSON THACHER & BARTLETT
(a partnership which includes
professional corporations)

June 2, 1994

CONSENT OF SMITH BARNEY SHEARSON INC.

June 3, 1994

Viacom Inc.
200 Elm Street
Dedham, Massachusetts 02026

Dear Sirs:

We hereby consent to the inclusion in the Rule 13E-3 Transaction Statement on Schedule 13E-3 and in the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 3, 1994 of our opinion letter appearing as Annex III to the Joint Proxy Statement/Prospectus of Viacom Inc. and Paramount Communications Inc. which is a part of each of the Rule 13E-3 Transaction Statement and the Registration Statement and to the references thereto, and the use of our name, under the captions "Summary -- The Paramount Merger", "Special Factors -- Opinions of Financial Advisors" and "Certain Considerations" in the Joint Proxy Statement/Prospectus.

Very truly yours,

/s/ Smith Barney Shearson
SMITH BARNEY SHEARSON INC.

CONSENT OF LAZARD FRERES & CO.

June 3, 1994

Board of Directors
Paramount Communications, Inc.
15 Columbus Circle
New York, New York 10023

Ladies and Gentlemen:

We hereby consent to the inclusion in the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 3, 1994 of our letters appearing as Exhibits 99.2 and 99.3 to the Registration Statement and to the references thereto, and the use of our name, under the captions "Summary - The Paramount Merger", "Special Factors - Opinions of Financial Advisors", "Special Factors - Reasons for the Paramount Merger; Recommendations of the Board of Directors; Fairness of the Transaction" and "Certain Considerations" in the Joint Proxy Statement/Prospectus which is part of the Registration Statement. In giving such consent, we do not admit and we hereby disclaim that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ Lazard Freres & Co.

LAZARD FRERES & CO.

Exhibit 24

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned hereby constitutes and appoints Philippe Dauman, Michael Fricklas and Nancy Rosenfeld his true and 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 (1) a Rule 13e-3 Transaction Statement (the "Transaction Statement"), or such other form as may be recommended by counsel, to be filed with the Securities and Exchange Commission (the "Commission"), and any and all amendments and post-effective amendments thereto and supplements to the Joint Proxy and Prospectus contained therein, and any and all instruments and documents filed as a part of or in connection with the said registration statement or amendments thereto or supplements or amendments to such Prospectus, covering the offering and issuance of shares of Viacom Inc.'s (the "Company") Class B Common Stock, 8% exchangeable subordinated debentures and the shares of the Company's Preferred Stock into which such debentures are exchangeable and the 5% subordinated debentures into which such preferred shares are exchangeable, contingent value rights, three year warrants and five year warrants and the shares of Class B Common Stock issuable upon exercise of the three year warrants and the five year warrants (collectively, the "Securities") certain of which are to be issued and certain of which may be issued at the option of the Company in connection with the merger of Paramount Communications Inc., a Delaware corporation ("Paramount"), with and into a subsidiary of the Company, (2) the Registration Statement on Form S-4 included within the Transaction Statement relating to the Securities to be filed by the Company with the Commission under the Securities Exchange Act of 1934, as amended, and with one or more national securities exchange, and any and all amendments thereto, and any and all instruments and documents filed as part of or in connection with such registration statement or amendments thereto, and (3) any documents in connection with the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 between the Company and Paramount and any transactions contemplated thereby; 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 12th day of April, 1994.

/s/ George S. Abrams

George S. Abrams

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned hereby constitutes and appoints Philippe Dauman, Michael Fricklas and Nancy Rosenfeld his true and 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 (1) a Rule 13e-3 Transaction Statement (the "Transaction Statement"), or such other form as may be recommended by counsel, to be filed with the Securities and Exchange Commission (the "Commission"), and any and all amendments and post-effective amendments thereto and supplements to the Joint Proxy and Prospectus contained therein, and any and all instruments and documents filed as a part of or in connection with the said registration statement or amendments thereto or supplements or amendments to such Prospectus, covering the offering and issuance of shares of Viacom Inc.'s (the "Company") Class B Common Stock, 8% exchangeable subordinated debentures and the shares of the Company's Preferred Stock into which such debentures are exchangeable and the 5% subordinated debentures into which such preferred shares are exchangeable, contingent value rights, three year warrants and five year warrants and the shares of Class B Common Stock issuable upon exercise of the three year warrants and the five year warrants (collectively, the "Securities") certain of which are to be issued and certain of which may be issued at the option of the Company in connection with the merger of Paramount Communications Inc., a Delaware corporation ("Paramount"), with and into a subsidiary of the Company, (2) the Registration Statement on Form S-4 included within the Transaction Statement relating to the Securities to be filed by the Company with the Commission under the Securities Exchange Act of 1934, as amended, and with one or more national securities exchange, and any and all amendments thereto, and any and all instruments and documents filed as part of or in connection with such registration statement or amendments thereto, and (3) any documents in connection with the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 between the Company and Paramount and any transactions contemplated thereby; 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 12th day of April, 1994.

/s/ Frank J. Biondi, Jr.

Frank J. Biondi, Jr.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of April, 1994.

/s/ William C. Ferguson

William C. Ferguson

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of April, 1994.

/s/ H. Wayne Huizenga

H. Wayne Huizenga

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of April, 1994.

/s/ Ken Miller

Ken Miller

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of April, 1994.

/s/ Brent D. Redstone

Brent D. Redstone

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of April, 1994.

/s/ Sumner M. Redstone

Sumner M. Redstone

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of April, 1994.

/s/ Frederick V. Salerno

Frederick V. Salerno

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 12th day of April, 1994.

/s/ William Schwartz

William Schwartz

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

Statement of Eligibility
Under the Trust Indenture Act of 1939
of a Corporation Designated to Act as
Trustee

Check if an Application to Determine
Eligibility of a Trustee Pursuant to Section
305(b)(2) _____

HARRIS TRUST AND SAVINGS BANK
(Name of Trustee)

Illinois	36-1194448
(State of Incorporation)	(I.R.S. Employer Identification No.)

111 West Monroe Street; Chicago, Illinois 60603
(Address of principal executive offices)

Judith Bartolini, Harris Trust and Savings Bank,
111 West Monroe Street, Chicago, Illinois, 60603
312-461-2527
(Name, address and telephone number for agent for service)

VIACOM INC.
(Name of obligor)

Delaware	04-2949533
(State of Incorporation)	(I.R.S. Employer Identification No.)

200 Elm Street
Dedham, Massachusetts 02026
(Address of principal executive offices)

Contingent Value Rights
Subordinated Debentures
(Title of indenture securities)

1. GENERAL INFORMATION. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Commissioner of Banks and Trust Companies, State of Illinois, Springfield, Illinois; Chicago Clearing House Association, 164 West Jackson Boulevard, Chicago, Illinois; Federal Deposit Insurance Corporation, Washington, D.C.; The Board of Governors of the Federal Reserve System, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Harris Trust and Savings Bank is authorized to exercise corporate trust powers.

2. AFFILIATIONS WITH OBLIGOR. If the Obligor is an affiliate of the Trustee, describe each such affiliation.

The Obligor is not an affiliate of the Trustee.

3. thru 15.

NO RESPONSE NECESSARY

16. LIST OF EXHIBITS.

1. A copy of the articles of association of the Trustee is now in effect which includes the authority of the trustee to commence business and

to exercise corporate trust powers.

A copy of the Certificate of Merger dated April 1, 1972 between Harris Trust and Savings Bank, HTS Bank and Harris Bankcorp, Inc. which constitutes the articles of association of the Trustee as now in effect and includes the authority of the Trustee to commence business and to exercise corporate trust powers was filed in connection with the Registration Statement of Louisville Gas and Electric Company, File No. 2-44295, and is incorporated herein by reference.

2. A copy of the existing by-laws of the Trustee.

A copy of the existing by-laws of the Trustee was filed in connection with the Registration Statement of Hillenbrand Industries, Inc., File No. 33-44086, and is incorporated herein by reference.

3. The consents of the Trustee required by Section 321(b) of the Act.

(included as Exhibit A on page 2 of this statement)

4. A copy of the latest report of condition of the Trustee published pursuant to law or the requirements of its supervising or examining authority.

(included as Exhibit B on page 3 of this statement)

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, HARRIS TRUST AND SAVINGS BANK, a corporation organized and existing under the laws of the State of Illinois, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, and State of Illinois, on the 19th day of May, 1994.

HARRIS TRUST AND SAVINGS BANK

By: Judith Bartolini

Judith Bartolini
Vice President

EXHIBIT A

The consents of the trustee required by Section 321(b) of the Act.

Harris Trust and Savings Bank, as the Trustee herein named, hereby consents that reports of examinations of said trustee by Federal and State authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

HARRIS TRUST AND SAVINGS BANK

By: Judith Bartolini

Judith Bartolini
Vice President

EXHIBIT B

Attached is a true and correct copy of the statement of condition of Harris Trust and Savings Bank as of March 31, 1994, as published in accordance with a call made by the State Banking Authority and by the Federal Reserve Bank of the Seventh Reserve District.

HARRIS BANK

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60603

of Chicago, Illinois, and Foreign and Domestic Subsidiaries, at the close of business on March 31, 1994, a state banking institution organized and operating under the banking laws of this State and a member of the Federal Reserve System. Published in accordance with a call made by the Commissioner of Banks and Trust Companies of the State of Illinois and by the Federal Reserve Bank of this District.

Bank's Transit Number 71000288

ASSETS		THOUSANDS OF DOLLARS
Cash and balances due from depository institutions:		
Non-interest bearing balances and currency and coin.....		$917,983
Interest bearing balances.....		$693,930
Securities:		
a. Held-to-maturity securities		$335,627
b. Available-for-sale securities		$1,386,254
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's:		
Federal funds sold.....		$444,750
Securities purchased under agreements to resell.....		$148,063
Loans and lease financing receivables:		
Loans and leases, net of unearned income.....	$6,011,024	
LESS: Allowance for loan and lease losses.....	$99,591	
Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b).....		$5,911,433
Assets held in trading accounts.....		$251,234
Premises and fixed assets (including capitalized leases).....		$137,974
Other real estate owned.....		$2,023
Investments in unconsolidated subsidiaries and associated companies		$565
Customer's liability to this bank on acceptances outstanding.....		$66,441
Intangible assets.....		$29,864
Other assets.....		$370,864
TOTAL ASSETS		$10,697,005
LIABILITIES		
Deposits:		
In domestic offices.....		$4,538,277
Non-interest bearing.....	$2,415,608	
Interest bearing.....	$2,122,669	
In foreign offices, Edge and Agreement subsidiaries, and IBF's..		$2,271,529
Non-interest bearing.....	$27,115	
Interest bearing.....	$2,244,414	

Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's:	
Federal funds purchased	$624,510
Securities sold under agreements to repurchase	$1,220,539
Trading Liabilities	$210,412
Other borrowed money:	
a. With original maturity of one year or less	$491,636
b. With original maturity of more than one year	$41,669
Bank's liability on acceptances executed and outstanding	$66,441
Subordinated notes and debentures	$235,000
Other liabilities	$271,260
TOTAL LIABILITIES	$9,971,273
EQUITY CAPITAL	
Common stock	$100,000
Surplus	$275,000
a. Undivided profits and capital reserves	$342,563
b. Net unrealized holding gains (losses) on available-for-sale securities	$8,169
TOTAL EQUITY CAPITAL	$725,732
Total liabilities, limited-life preferred stock, and equity capital	$10,697,005

I, David H. Charney, Vice President of the above-named bank, do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Govenors of the Federal Reserve System and is true to the best of my knowledge and belief.

DAVID H. CHARNEY
4/27/1994

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and, to the best of our knowledge and belief, has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the Commissioner of Banks and Trust Companies of the State of Illinois and is true and correct.

ALAN G. McNALLY,
DONALD S. HUNT,
DARYL F. GRISHAM,

Directors.

STATE OF ILLINOIS, COUNTY OF COOK, ss:

Sworn to and subscribed before me this 27th day of April, 1994. My commission expires April 22, 1996.

DIANALYNN GIRTEN

SPECIAL MEETING PROXY CARD
VIACOM INC.
1515 BROADWAY
NEW YORK, NEW YORK 10036

The undersigned hereby appoints Frank J. Biondi, Jr. and Philippe P. Dauman, and each of them, as proxies with full power of substitution, to represent and to vote on behalf of the undersigned all of the shares of Class A Common Stock of Viacom Inc. which the undersigned is entitled to vote at the Special Meeting of Stockholders to be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York on Thursday, July 7, 1994, at 10:30 a.m., and at any adjournments or postponements thereof, upon the following proposals more fully described in the Notice of Special and Annual Meetings of Stockholders and the VIACOM INC. and PARAMOUNT COMMUNICATIONS INC. Joint Proxy Statement/Prospectus.

The proxies are directed to vote as specified below and in their discretion on all other matters.

You are encouraged to specify your choices by marking the appropriate boxes, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR (1), (2), (3), (4) and (5). UNLESS OTHERWISE SPECIFIED, THE VOTE REPRESENTED BY THIS PROXY WILL BE CAST FOR (1), (2), (3), (4) AND (5).

1. PROPOSAL TO APPROVE AND ADOPT THE AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER, AS FURTHER AMENDED AS OF MAY 26, 1994, PROVIDING FOR A BUSINESS COMBINATION TRANSACTION BETWEEN PARAMOUNT COMMUNICATIONS INC. AND VIACOM SUB INC., A WHOLLY OWNED SUBSIDIARY OF VIACOM INC., INCLUDING THE APPROVAL OF THE ISSUANCE OF SECURITIES OF VIACOM INC. IN CONNECTION THEREWITH.

/ / FOR / / AGAINST / / ABSTAIN

2. PROPOSAL TO APPROVE THE ADOPTION OF AN AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION OF VIACOM INC. TO INCREASE THE AUTHORIZED NUMBER OF SHARES OF CLASS A COMMON STOCK.

/ / FOR / / AGAINST / / ABSTAIN

3. PROPOSAL TO APPROVE THE ADOPTION OF AN AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION OF VIACOM INC. TO INCREASE THE AUTHORIZED NUMBER OF SHARES OF CLASS B COMMON STOCK.

/ / FOR / / AGAINST / / ABSTAIN

4. PROPOSAL TO APPROVE THE ADOPTION OF AN AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION OF VIACOM INC. TO INCREASE THE AUTHORIZED NUMBER OF SHARES OF PREFERRED STOCK.

/ / FOR / / AGAINST / / ABSTAIN

continued on reverse side

5. PROPOSAL TO APPROVE THE ADOPTION OF AN AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION OF VIACOM INC. TO INCREASE THE MAXIMUM NUMBER OF DIRECTORS CONSTITUTING THE ENTIRE BOARD FROM 12 TO 20.

/ / FOR / / AGAINST / / ABSTAIN

IF YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE CHECK THIS BOX. / /

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF VIACOM INC. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER.

Please sign exactly as name(s) appears below. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: .....

Signature: .....

.....
Signature if held jointly

PARAMOUNT COMMUNICATIONS INC.
15 COLUMBUS CIRCLE
NEW YORK, NEW YORK 10023-7780

THE UNDERSIGNED HEREBY APPOINTS FRANK J. BIONDI, JR. AND PHILIPPE P. DAUMAN, AND EACH OF THEM, AS PROXIES WITH FULL POWER OF SUBSTITUTION, TO REPRESENT AND TO VOTE ON BEHALF OF THE UNDERSIGNED ALL OF THE SHARES OF COMMON STOCK OF PARAMOUNT COMMUNICATIONS INC. WHICH THE UNDERSIGNED IS ENTITLED TO VOTE AT THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD AT HOTEL DU PONT, 11TH AND MARKET STREETS, WILMINGTON, DELAWARE ON WEDNESDAY, JULY 6, 1994, AT 10:00 A.M. (LOCAL TIME), AND AT ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF, UPON THE FOLLOWING PROPOSAL MORE FULLY DESCRIBED IN THE NOTICE OF SPECIAL MEETING OF STOCKHOLDERS AND THE VIACOM INC. AND PARAMOUNT COMMUNICATIONS INC. JOINT PROXY STATEMENT/PROSPECTUS.

YOU ARE ENCOURAGED TO SPECIFY YOUR CHOICE BY MARKING THE APPROPRIATE BOX, BUT YOU NEED NOT MARK ANY BOX IF YOU WISH TO VOTE IN ACCORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATION.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE PROPOSAL TO APPROVE THE AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER, AS FURTHER AMENDED AS OF MAY 26, 1994, PROVIDING FOR A BUSINESS COMBINATION TRANSACTION BETWEEN PARAMOUNT COMMUNICATIONS INC. AND VIACOM SUB INC., A WHOLLY OWNED SUBSIDIARY OF VIACOM INC., AND IN THE DISCRETION OF THE PROXIES ON ALL OTHER MATTERS.

YOUR SIGNATURE ON THE PROXY IS YOUR ACKNOWLEDGEMENT OF RECEIPT OF THE NOTICE OF SPECIAL MEETING OF STOCKHOLDERS AND THE JOINT PROXY STATEMENT, BOTH DATED JUNE 6, 1994.

THE SIGNER HEREBY REVOKES ALL PROXIES HERETOFORE GIVEN BY THE SIGNER TO VOTE AT SAID MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.

THE PROXIES ARE DIRECTED TO VOTE AS SPECIFIED BELOW AND IN THEIR DISCRETION ON ALL OTHER MATTERS.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO APPROVE THE AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER, AS FURTHER AMENDED AS OF MAY 26, 1994, PROVIDING FOR A BUSINESS COMBINATION TRANSACTION BETWEEN PARAMOUNT COMMUNICATIONS INC. AND VIACOM SUB INC.

/ / FOR / / AGAINST / / ABSTAIN

IF YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE CHECK THIS BOX. / /

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF PARAMOUNT COMMUNICATIONS INC. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER.

PLEASE SIGN EXACTLY AS NAME(S) APPEARS BELOW. WHEN SHARES ARE HELD BY JOINT TENANTS, BOTH SHOULD SIGN. WHEN SIGNING AS ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE FULL TITLE AS SUCH. IF A CORPORATION, PLEASE SIGN IN FULL CORPORATE NAME BY PRESIDENT OR OTHER AUTHORIZED OFFICER. IF A PARTNERSHIP, PLEASE SIGN IN PARTNERSHIP NAME BY AUTHORIZED PERSON.

DATED: .....

SIGNATURE: .....

.....
SIGNATURE IF HELD JOINTLY

ANNUAL MEETING PROXY CARD
VIACOM INC.
1515 BROADWAY
NEW YORK, NEW YORK 10036

The undersigned hereby appoints Frank J. Biondi, Jr. and Philippe P. Dauman, and each of them, as proxies with full power of substitution, to represent and to vote on behalf of the undersigned all of the shares of Class A Common Stock of Viacom Inc. which the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York on Thursday, July 7, 1994 immediately following the Special Meeting of Stockholders, and at any adjournments or postponements thereof, upon the following matters more fully described in the Notice of Special and Annual Meetings to Stockholders and the VIACOM INC. and PARAMOUNT COMMUNICATIONS INC. Joint Proxy Statement/Prospectus.

You are encouraged to specify your choices by marking the appropriate boxes, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations.

The proxies are directed to vote as specified below and in their discretion on all other matters.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR (1), (2), (3), (4) and (5). UNLESS OTHERWISE SPECIFIED, THE VOTE REPRESENTED BY THIS PROXY WILL BE CAST FOR (1), (2), (3), (4) and (5).

1. ELECTION OF DIRECTORS

NOMINEES: GEORGE S. ABRAMS, FRANK J. BIONDI, JR., PHILIPPE P. DAUMAN, WILLIAM C. FERGUSON, H. WAYNE HUIZENGA, KEN MILLER, BRENT D. REDSTONE, SUMNER M. REDSTONE, FREDERIC V. SALERNO, WILLIAM SCHWARTZ.

/ / FOR ALL NOMINEES (EXCEPT AS MARKED TO THE CONTRARY BELOW)

/ / WITHHOLD AUTHORITY TO VOTE ALL NOMINEES

TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE(S), WRITE NAME(S) OF SUCH NOMINEE(S) IN THE SPACE PROVIDED BELOW:

- ----------

2. APPROVAL OF THE VIACOM INC. SENIOR EXECUTIVE SHORT-TERM INCENTIVE PLAN.

/ / FOR / / AGAINST / / ABSTAIN

3. APPROVAL OF THE VIACOM INC. 1994 LONG-TERM MANAGEMENT INCENTIVE PLAN.

/ / FOR / / AGAINST / / ABSTAIN

continued on reverse side

4. APPROVAL OF THE VIACOM INC. STOCK OPTION PLAN FOR OUTSIDE DIRECTORS.

/ / FOR / / AGAINST / / ABSTAIN

5. APPROVAL OF THE APPOINTMENT OF PRICE WATERHOUSE AS INDEPENDENT AUDITORS OF VIACOM INC. FOR 1994.

/ / FOR / / AGAINST / / ABSTAIN

IF YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE CHECK THIS BOX. / /

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF VIACOM INC. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER.

Please sign exactly as name(s) appears below. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: .....

Signature: .....

.....
Signature if held jointly

[LETTERHEAD OF PARAMOUNT]

June 6, 1994

Dear Stockholder:

On behalf of our Board of Directors, I am pleased to invite you to attend a Special Meeting of Stockholders of Paramount Communications Inc., which will be held at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware at 10:00 a.m. (local time) on July 6, 1994.

At this meeting, stockholders will be asked to approve the merger of a wholly owned subsidiary of Viacom Inc. with and into Paramount. Paramount and Viacom have complementary businesses and a commitment to innovation and creativity. The combination of these businesses will create a global entertainment and communications company with extraordinary resources.

On February 4, 1994 the Board of Directors of Paramount, after careful consideration, determined that the combination with Viacom is in the best interests of Paramount and its stockholders. Accordingly, it unanimously approved the merger and related transactions and recommended that you vote in favor of the merger at the meeting. At the request of Paramount, on February 14, 1994, Paramount's financial advisor, Lazard Freres & Co., reaffirmed its written opinion addressed to the Paramount Board, dated February 4, 1994. Lazard Freres has not been requested to update that opinion.

Pursuant to its successful tender offer, on March 11, 1994, Viacom completed its purchase of a majority of the outstanding shares of Paramount Common Stock. In the merger, each share of Paramount Common Stock not owned by Viacom will be converted into the right to receive (i) 0.93065 of a share of non-voting Viacom Class B Common Stock, (ii) $17.50 principal amount of 8% exchangeable subordinated debentures of Viacom, (iii) 0.93065 of a contingent value right, representing the right to receive (under certain circumstances) cash or securities depending on market prices of Viacom Class B Common Stock during a one-, two-or three-year period following the merger, (iv) 0.5 of a three-year warrant to purchase one share of Viacom Class B Common Stock at $60 per share and (v) 0.3 of a five-year warrant to purchase one share of Viacom Class B Common Stock at $70 per share. On February 1, 1994, the last trading day before the announcement of the terms of the merger agreement with Viacom, on February 14, 1994, the date on which Lazard Freres reaffirmed its February 4, 1994 opinion, and on June 3, 1994, the last trading day before the printing of this Proxy Statement/Prospectus, the last sales price of a share of Viacom Class B Common Stock as reported on the American Stock Exchange was $34-1/8, $29-7/8 and $28-5/8, respectively.

A Notice of the Special Meeting and a Joint Proxy Statement/Prospectus containing detailed information concerning the merger with the subsidiary of Viacom and related transactions is attached. The Joint Proxy Statement/Prospectus also contains detailed information regarding Viacom's proposed merger with Blockbuster Entertainment Corporation. I urge you to read this material carefully. In connection with the Paramount Merger, appraisal rights will be available to those stockholders of Paramount who have not voted in favor of the Paramount Merger and who meet and comply with the requirements of Section 262 of the Delaware General Corporation Law ("DGCL"). See the section entitled "Dissenting Stockholders' Rights of Appraisal" in the accompanying Joint Proxy Statement/Prospectus for a discussion of procedures to be followed in asserting appraisal rights.

As Viacom has acquired a majority of the outstanding shares of Paramount Common Stock, Viacom has sufficient voting power to approve the merger and the related transactions, even if no other stockholder of Paramount votes in favor of the merger. Delaware law and the merger agreement with Viacom nevertheless require that a meeting of Paramount stockholders be held to vote on the merger of our two companies and we would appreciate your show of support by voting in favor of the merger.

Your participation in this meeting, in person or by proxy, is important. Please mark, date, sign and return the enclosed proxy as soon as possible, whether or not you plan to attend the meeting.

Sincerely,

/s/ SUMNER M. REDSTONE

SUMNER M. REDSTONE
Chairman of the Board

[PARAMOUNT LETTERHEAD]

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

A Special Meeting of Stockholders of Paramount Communications Inc. ("Paramount") will be held on July 6, 1994, at 10:00 a.m. (local time), at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, for the purposes of:

1. Considering and voting upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994 (the "Paramount Merger Agreement"), among Paramount, Viacom Inc. ("Viacom") and Viacom Sub Inc. (the "Merger Subsidiary"), a wholly owned subsidiary of Viacom, a copy of which is attached as Annex I to the accompanying Joint Proxy Statement/Prospectus, providing for the merger of the Merger Subsidiary with and into Paramount (the "Paramount Merger"), pursuant to which each share of Common Stock, par value $1.00 ("Paramount Common Stock"), of Paramount (other than shares held by Paramount, Viacom and their subsidiaries and by holders who demand and perfect appraisal rights) will be converted into the right to receive (i) 0.93065 of a share of Class B Common Stock, par value $.01 per share, of Viacom ("Viacom Class B Common Stock"), (ii) $17.50 principal amount of 8% exchangeable subordinated debentures due 2006 of Viacom, (iii) 0.93065 of a contingent value right of Viacom, representing the right to receive (under certain circumstances) cash or securities of Viacom depending on market prices of Viacom Class B Common Stock during a one-, two-or three-year period following the Paramount Merger, (iv) 0.5 of a three-year warrant to purchase one share of Viacom Class B Common Stock at $60 per share, and (v) 0.3 of a five-year warrant to purchase one share of Viacom Class B Common Stock at $70 per share, all as more fully described in the accompanying Joint Proxy Statement/Prospectus; and

2. Transacting any other business that may properly come before the meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on May 31, 1994 are entitled to notice of the meeting, and only holders of Paramount Common Stock of record at that time are entitled to vote at the meeting. Every holder of outstanding shares of Paramount Common Stock entitled to be voted at the meeting is entitled to one vote for each such share held. The Paramount Merger will be consummated on the date that the approvals of the stockholders of Paramount and Viacom are obtained.

As Viacom has acquired a majority of the outstanding shares of Paramount Common Stock, Viacom has sufficient voting power to approve the Paramount Merger and the related transactions, even if no other stockholder of Paramount votes in favor of the Paramount Merger.

In connection with the Paramount Merger, appraisal rights will be available to those stockholders of Paramount who have not voted in favor of the Paramount Merger and who meet and comply with the requirements of Section 262 of the Delaware General Corporation Law ("DGCL"). Any holder of Paramount Common Stock who wishes to seek appraisal rights must meet and comply with the requirements of Section 262 of the DGCL, a copy of which Section 262 is attached as Annex V to the accompanying Joint Proxy Statement/Prospectus. See the section entitled "Dissenting Stockholders' Rights of Appraisal" in the accompanying Joint Proxy Statement/Prospectus for a discussion of procedures to be followed in asserting appraisal rights.

WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE SPECIAL MEETING IN PERSON, PLEASE MARK, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ACCOMPANYING ENVELOPE. IF YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE MARK THE APPROPRIATE SPACE ON THE ENCLOSED PROXY.

By order of the Board of Directors,

/s/ PHILIPPE P. DAUMAN

PHILIPPE P. DAUMAN
Secretary

June 6, 1994

[LETTERHEAD OF VIACOM]

June 6, 1994

Dear Stockholder:

You are cordially invited to attend a Special Meeting of Stockholders of Viacom Inc., which will be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York at 10:30 a.m. (local time) on July 7, 1994. At the Special Meeting, holders of Viacom Class A Common Stock will be asked to approve proposals providing for the merger of a wholly owned subsidiary of Viacom with and into Paramount Communications Inc.

The merger with Paramount reflects our vision of building an integrated global entertainment company. The combination of Viacom and Paramount will form an entertainment and communications powerhouse uniquely positioned to exploit new opportunities in the entertainment business, domestically and around the world. Viacom is also a party to a merger agreement with Blockbuster Entertainment Corporation, however, there can be no assurance that the merger with Blockbuster will ultimately be consummated. ANY CONSIDERATION OF THE BLOCKBUSTER MERGER WILL TAKE PLACE AT A SEPARATE SPECIAL MEETING OF VIACOM STOCKHOLDERS FOR WHICH YOU WILL RECEIVE A SEPARATE JOINT PROXY STATEMENT/PROSPECTUS OF VIACOM AND BLOCKBUSTER.

Pursuant to a successful tender offer, on March 11, 1994, Viacom completed its purchase of a majority of the outstanding shares of Paramount Common Stock. In the merger, each share of Paramount Common Stock not owned by Viacom will be converted into the right to receive (i) 0.93065 of a share of non-voting Viacom Class B Common Stock, (ii) $17.50 principal amount of 8% exchangeable subordinated debentures of Viacom, (iii) 0.93065 of a contingent value right, representing the right to receive (under certain circumstances) cash or securities depending on market prices of Viacom Class B Common Stock during a one-, two-or three-year period following the merger, (iv) 0.5 of a three-year warrant to purchase one share of Viacom Class B Common Stock at $60 per share and (v) 0.3 of a five-year warrant to purchase one share of Viacom Class B Common Stock at $70 per share. The proposed merger with Paramount is described in the accompanying Joint Proxy Statement/Prospectus.

The Viacom Board of Directors has determined that the tender offer and the merger with Paramount, taken together, are fair to, and in the best interests of, Viacom and its stockholders. Accordingly, the Board approved the Paramount merger agreement and certain other transactions with Paramount and recommends that holders of Viacom Class A Common Stock vote to approve the merger with Paramount and the issuance of shares of Viacom Class B Common Stock and other Viacom securities in connection with the merger. The Board also recommends that such holders approve proposals to amend the Restated Certificate of Incorporation of Viacom to increase the number of shares of Viacom Class A Common Stock authorized to be issued from 100 million to 200 million, to increase the number of shares of Viacom Class B Common Stock authorized to be issued from 150 million to one billion, to increase the number of shares of preferred stock of Viacom authorized to be issued from 100 million to 200 million and to increase the maximum number of directors constituting the entire Board of Directors of Viacom from 12 to 20.

National Amusements, Inc., which owns approximately 85% of Viacom's voting stock, has agreed to vote such shares in favor of the transactions contemplated by the Paramount merger agreement in accordance with National Amusement's obligations under a Voting Agreement executed with Paramount. Therefore, approval of such transactions by the stockholders of Viacom is assured.

Immediately following the Special Meeting, the 1994 Annual Meeting of Viacom Stockholders will be convened for the purposes listed in the accompanying Notice of Special and Annual Meetings of Stockholders. The proposals to be considered at the Annual Meeting are described in the accompanying Joint Proxy Statement/Prospectus.

Because of the significance to Viacom of the transactions described above, your participation in these meetings, in person or by proxy, is especially important.

I hope you will be able to attend the meetings. However, even if you anticipate attending in person, we urge you to mark, sign and return the enclosed proxy cards promptly to ensure that your shares of Viacom Class A Common Stock will be represented at the meetings. If you do attend, you will, of course, be entitled to vote such shares in person.

Thank you, and I look forward to seeing you at the meetings.

Sincerely,

/s/ SUMNER M. REDSTONE

SUMNER M. REDSTONE
Chairman of the Board

[VIACOM LETTERHEAD]

NOTICE OF SPECIAL AND ANNUAL MEETINGS OF STOCKHOLDERS
TO BE HELD ON JULY 7, 1994

To Viacom Inc. Stockholders:

A Special Meeting (the "Special Meeting") of Stockholders of Viacom Inc. ("Viacom") will be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York at 10:30 a.m. (local time) on July 7, 1994 to consider the following proposals:

(1) the approval and adoption of the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994 (the "Paramount Merger Agreement") among Viacom, Viacom Sub Inc., a wholly owned subsidiary of Viacom (the "Merger Subsidiary"), and Paramount Communications Inc. ("Paramount"), a copy of which is attached as Annex I to the accompanying Joint Proxy Statement/Prospectus, providing for the merger of the Merger Subsidiary with and into Paramount, pursuant to which each share of Common Stock, par value $1.00 per share, of Paramount (other than shares held by Viacom, Paramount and their subsidiaries and by holders who demand and perfect appraisal rights) will be converted into the right to receive (i) 0.93065 of a share of Class B Common Stock, par value $.01 per share, of Viacom ("Viacom Class B Common Stock"), (ii) $17.50 principal amount of 8% exchangeable subordinated debentures due 2006 of Viacom, (iii) 0.93065 of a contingent value right of Viacom, representing the right to receive (under certain circumstances) cash or securities of Viacom depending on market prices of Viacom Class B Common Stock during a one-, two-or three-year period following the merger, (iv) 0.5 of a three-year warrant to purchase one share of Viacom Class B Common Stock at $60 per share, and (v) 0.3 of a five-year warrant to purchase one share of Viacom Class B Common Stock at $70 per share, all as more fully described in the accompanying Joint Proxy Statement/Prospectus (collectively, the "Paramount Merger Consideration"); such approval and adoption includes, without limitation, the approval of the issuance of the Paramount Merger Consideration;

(2) the approval of an amendment to the Restated Certificate of Incorporation of Viacom increasing the number of shares of Viacom Class A Common Stock authorized to be issued from 100 million to 200 million;

(3) the approval of an amendment to the Restated Certificate of Incorporation of Viacom increasing the number of shares of Viacom Class B Common Stock authorized to be issued from 150 million to one billion;

(4) the approval of an amendment to the Restated Certificate of Incorporation of Viacom increasing the number of shares of preferred stock of Viacom authorized to be issued from 100 million to 200 million;

(5) the approval of an amendment to the Restated Certificate of Incorporation of Viacom increasing the maximum number of directors constituting the Board of Directors of Viacom from 12 to 20; and

(6) such other business as may properly be brought before the Special Meeting.

Under applicable law, holders of Viacom Class A Common Stock or Viacom Class B Common Stock will not have appraisal rights in connection with the approval and adoption of the Paramount Merger Agreement because, among other reasons, Viacom is not a constituent corporation in the merger.

The 1994 Annual Meeting of Stockholders of Viacom will be held immediately following the Special Meeting, at the same location as the Special Meeting, to consider the following proposals:

(1) the election of 10 directors;

(2) the approval of the Viacom Senior Executive Short-Term Incentive Plan;

(3) the approval of the Viacom 1994 Long-Term Management Incentive Plan;

(4) the approval of the Viacom Stock Option Plan for Outside Directors;

(5) the approval of the appointment of independent auditors for 1994; and

(6) such other business as may properly come before the Annual Meeting or any adjournment thereof.

Pursuant to the By-laws of Viacom, the Board of Directors has fixed the close of business on May 31, 1994 as the time for determining stockholders of record entitled to notice of, and to vote at, the Special Meeting and the Annual Meeting.

Each share of Viacom Class A Common Stock will entitle the holder thereof to one vote on all matters which may properly come before the meetings.

WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE MEETINGS IN PERSON, PLEASE MARK, DATE AND SIGN THE ENCLOSED PROXIES AND RETURN THEM IN THE ACCOMPANYING ENVELOPE. IF YOU PLAN TO ATTEND THE MEETINGS, PLEASE MARK THE APPROPRIATE SPACE ON EACH OF THE ENCLOSED PROXIES.

By order of the Board of Directors,

/s/ PHILIPPE P. DAUMAN

PHILIPPE P. DAUMAN
Secretary

June 6, 1994

[VIACOM LETTERHEAD]

June 7, 1994

Dear Shareholder:

The last year and a half has been an extraordinary time in the history of Viacom. As you are keenly aware, after a hard-fought battle, we won control of Paramount Communications Inc. and by doing so, created a global entertainment and media giant with unparalleled assets and franchises. Our new Company has the financial resources to enhance its core businesses while extending its franchises into new product areas, emerging distribution outlets and untapped geographic markets. We are committed to building those financial resources and strengthening our capital structure to ensure that our long-range strategies and opportunities are fully realized. These opportunities represent the future of Viacom.

The new Viacom, now one of the largest, most diversified global entertainment companies, owns and operates one of the world's largest groups of basic cable and premium television networks; controls more than 15,000 hours of film and television programming; owns Paramount Pictures, a major producer and worldwide distributor of films; owns Simon & Schuster, the largest publisher in the U.S. and the largest educational publisher in the world; is a significant cable operator and key player in the development of new media and interactive programming; owns 12 television stations and is pursuing the opportunities associated with creating The Paramount Network; is the sixth largest radio group in the nation; owns Madison Square Garden and the New York Knicks and the New York Rangers; owns five theme parks in the U.S. and Canada; and owns hundreds of movie theaters throughout the world.

Viacom is further strengthened through the strategic alliances it has forged with Blockbuster Entertainment Corporation and NYNEX. Our Merger Agreement with Blockbuster is pending and is subject to shareholder approval. While there can be no assurance that the merger will ultimately be consummated, Blockbuster remains an important strategic partner. The global leader in the home video rental market, Blockbuster is the world's largest retailer of home videos and a major force in music retailing, controls more than 20,000 hours of film and television programming, and develops entertainment facilities domestically and in the U.K. NYNEX, a global force in telecommunications, is one of the largest cable operators in the U.K., and is exploring and developing interactive technology.

Viacom's potential for expanding its core franchises and exploiting new markets is staggering, and we have assembled a superlative management team to ensure that we reach that potential. This team comprises the men and women who made Viacom one of the fastest growing global media companies in the world, as well as many of those from Paramount who created and conducted the businesses that made Paramount a highly sought after company. By combining these two groups, we have what we believe to be the finest, deepest, most experienced and most creative management team in the industry.

Looking ahead, we are already beginning to realize the rewards of our merger.

At Paramount Pictures, we have an exciting slate of upcoming films, including Forrest Gump, starring Tom Hanks, and Clear and Present Danger, starring Harrison Ford. In the future, we expect the studio to work with MTV to develop the film version of Beavis & Butt-Head and with Nickelodeon to develop a slate of modest-budget kids' films. We also recently announced a production agreement with Douglas/Reuther, the partnership of Michael Douglas and Steven Reuther, that will give Paramount Pictures access to high-quality films while limiting our financial exposure. This agreement is indicative of the creative and cost-conscious management approach we will implement at the studio.

-over-

Simon & Schuster, formerly known as Paramount Publishing and which we recently renamed, acquired Macmillan Publishing in 1994, dramatically expanding its leadership position in the industry, and recently formed a venture with Davidson & Associates to develop, publish and distribute multimedia products for a broad spectrum of publishing markets. And just last week, we announced that Nickelodeon and Simon & Schuster will collaborate on a line of children's books drawing from Nickelodeon's programming and Simon & Schuster's expertise in children's publishing.

Our Company is proving itself a leader in seizing new technology-based opportunities and new media is a key example. We have combined our new media operations, which together have a full slate of new titles, including several drawn from successful Viacom and Paramount programming. We are also developing interactive versions of our cable networks that will be tested at our state-of-the-art cable system in Castro Valley, California, and MTV Networks (MTVN) will test an interactive home shopping service drawn from its channels.

Programming from our newly combined television production and syndication division will be prominent in the fall television season, with six shows returning to the broadcast line-up, two broadcast pilots ordered and eight programs appearing in first-run syndication. We are preparing for the January

launch of The Paramount Network, which will be anchored by a newly developed spin-off from our enormously successful Star Trek franchise. Popular Wayne's World theme areas, based on Paramount Pictures' hit films, have been introduced at two Paramount Parks and we expect to develop similar marketing and promotional opportunities for characters and programming from MTV and Nickelodeon.

All of Viacom's pre-merger businesses continued to accelerate the growth of their franchises in 1993. At MTVN, MTV's global growth continued to soar and we entered entirely new markets with the launch of MTV Latino. In addition, the network recently announced plans to launch two new, wholly owned networks in Asia. Nickelodeon U.K. was launched and the network introduced a new line of entertainment products, including Nickelodeon Magazine, videos and CDs. VH-1 continued development on a version of the network to be introduced in the U.K. At Showtime Networks Inc., which grew by more than 1 million new subscribers in 1993, we announced plans to introduce five new value-added, genre-specific services.

On the distribution side, we are working toward the introduction of our interactive cable system in Castro Valley, where initial offerings will include an interactive shopping service being developed by Viacom, AT&T and CUC International, as well as StarSight, the electronic on-screen programming guide in which we have a significant investment. We are also testing high-speed modem technologies with Intel and General Instrument which give home personal computer users access to on-line services using our cable infrastructure.

For a more thorough review of the performance of our businesses in 1993, we encourage you to read the enclosed Annual Report on Form 10-KA. We hope you continue to share our enthusiasm for Viacom's future. We believe that our combination with Paramount will provide benefits for our shareholders for many years to come and that we will begin to realize those benefits shortly. We will soon have the latitude to communicate the strengths of this merger to our financial constituencies. Your stalwart support is deeply appreciated and we remain firm in our belief that the best for our Company is yet to come.

Sincerely,

/s/ Sumner M. Redstone

Sumner M. Redstone
Chairman of the Board

/s/ Frank J. Biondi, Jr.

Frank J. Biondi, Jr.
President and Chief Executive Officer