

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993 COMMISSION FILE NUMBER 1-9553

VIACOM INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	04-2949533
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

200 Elm Street, Dedham, MA	02026
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Registrant's telephone number, including area code (617) 461-1600

## SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Class A Common Stock, \$0.01 par value	American Stock Exchange
Class B Common Stock, \$0.01 par value	American Stock Exchange

## SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None  
(TITLE OF CLASS)

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

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

As of March 25, 1994, 53,449,525 shares of Viacom Inc. Class A Common Stock, \$0.01 par value ("Class A Common Stock"), and 90,078,203 shares of Viacom Inc. Class B Common Stock, \$0.01 par value ("Class B Common Stock"), were outstanding. The aggregate market value of the shares of Class A Common Stock (based upon the closing price of \$34 of these shares on the American Stock Exchange on that date) held by non-affiliates was approximately \$268,187,512 and the aggregate market value of the shares of the Class B Common Stock (based upon the closing price of \$29.125 of these shares on the American Stock Exchange on that date) held by non-affiliates was approximately \$599,511,872.

## DOCUMENTS INCORPORATED BY REFERENCE

The Definitive Proxy of the Registrant for the 1994 Annual Meeting of Shareholders (Part III to the extent described herein).

## PART I

## ITEM 1. BUSINESS.

## BACKGROUND

Viacom International Inc. (the "Company") is a diversified entertainment and communications company with operations in four principal segments: Networks, Entertainment, Cable Television and Broadcasting.

Viacom Networks operates three advertiser-supported basic cable television program services, MTV: MUSIC TELEVISION(R), including MTV EUROPE(TM) and MTV LATINO(TM), VH-1(R)/VIDEO HITS ONE(R), and NICKELODEON(R)/NICK AT NITE(R), and three premium subscription television program services, SHOWTIME(R), THE MOVIE CHANNEL(TM) and FLIX(TM). The Company, directly and through Viacom Networks, participates as a joint venturer in four additional advertiser-supported basic cable program services: LIFETIME(R), COMEDY CENTRAL(TM), NICKELODEON (TM) (U.K.), and ALL NEWS CHANNEL(TM). On March 29, 1994, the Company agreed to sell its one-third partnership interest in LIFETIME to its partners The Hearst Corporation and Capital Cities/ABC Inc. for approximately \$317.6 million; this transaction is expected to close in the second quarter of 1994. Viacom Entertainment distributes television series, feature films, made-for-television movies, mini-series and specials for television

exhibition in domestic and international markets, produces television series and movies for prime time broadcast network television, acquires and distributes television series for initial exhibition on a "first run" basis, and develops, produces, distributes and markets interactive software for the stand-alone and other multimedia marketplaces. Viacom Cable Television owns and operates cable television systems in California, and the Pacific Northwest and Midwest regions of the United States. Viacom Broadcasting owns and operates five network-affiliated television stations and fourteen radio stations.

Viacom International Inc. was originally organized in Delaware in August 1970 as a wholly owned subsidiary of CBS Inc., and was reincorporated in Ohio in 1975 (the "Predecessor Company"). On June 9, 1987, the Predecessor Company became an indirect wholly owned subsidiary of Viacom Inc. in a leveraged buyout pursuant to a merger (the "Merger") of a subsidiary of Viacom Inc. into the Predecessor Company, which was the surviving corporation. On April 26, 1990, pursuant to a plan of liquidation, the Predecessor Company merged into a direct wholly owned subsidiary of Viacom Inc., and the surviving Delaware corporation simultaneously changed its name to "Viacom International Inc."

All references herein to the term "Company" refer, unless the context otherwise requires, to Viacom International Inc., its consolidated subsidiaries and the Predecessor Company. The Company's principal offices are located at 1515 Broadway, New York, New York 10036 (telephone (212) 258-6000).

Viacom Inc. was organized in Delaware in 1986 for the purpose of acquiring the Company. As of December 31, 1993, National Amusements, Inc. ("NAI"), a closely held corporation that owns and operates approximately 850 movie screens in the United States and the United

Kingdom, owned 45,547,214 shares or 85.2% of the Class A Common Stock ("Class A Common Stock"), and 46,565,414 shares or 69.1% of the Class B Common Stock ("Class B Common Stock") outstanding on such date. NAI is not subject to the informational filing requirements of the Securities Exchange Act of 1934, as amended. Sumner M. Redstone, the controlling shareholder of NAI, is the Chairman of the Board of Viacom Inc. and the Company.

As of December 31, 1993, the principal asset of Viacom Inc. (together with its subsidiaries, unless the context otherwise requires, "Viacom Inc.") was the common stock of the Company. Viacom Inc.'s principal executive offices are located at 200 Elm Street, Dedham, Massachusetts 02026.

As of December 31, 1993, the Company and its affiliated companies employed approximately 5,000 persons.

On March 11, 1994, pursuant to a tender offer (the "Paramount Offer") commenced in the fourth quarter of 1993, Viacom Inc. acquired 61,657,432 shares of Paramount Communications Inc. ("Paramount") common stock constituting a majority of the shares outstanding. The Paramount Offer was made pursuant to an Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 (the "Paramount Merger Agreement") between Viacom Inc. and Paramount. As a result of the Paramount Merger Agreement, a new wholly owned subsidiary of Viacom Inc. will merge with and into Paramount (the "Paramount Merger"), and Paramount will become a wholly owned subsidiary of Viacom Inc. after the effective time of the Paramount Merger, which is expected to occur in the second quarter of 1994.

Except where expressly noted, information is given as of December 31, 1993, and does not include information on or with respect to Paramount or its businesses. Information with respect to Paramount in response to Item 1 is incorporated by reference herein from (i) Item 1 of Paramount's Transition Report on Form 10-K for the six-month period ended April 30, 1993, as such report was amended in its entirety by Form 10-K/A No. 1 dated September 28, 1993, as further amended by Form 10-K/A No. 2 dated September 30, 1993 and as further amended by Form 10-K/A No. 3 dated March 21, 1994 and (ii) Paramount's Quarterly Reports on Form 10-Q for the quarters ended July 31, 1993, October 31, 1993 and January 31, 1994 (the documents in clauses (i) and (ii) being hereinafter collectively referred to as the "Paramount Reports"). Information in the Paramount Reports is given as of the date of each such report and is not updated herein. A copy of each of the Paramount Reports is included as an exhibit hereto. Descriptions of all documents incorporated by reference herein or included as exhibits hereto are qualified in their entirety by reference to the full text of such documents so incorporated or included.

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 hard cover 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.

On January 7, 1994, Viacom Inc. and Blockbuster Entertainment

Corporation ("Blockbuster") entered into an agreement and plan of merger (the "Blockbuster Merger Agreement") pursuant to which Blockbuster will be merged with and into Viacom Inc. (the "Blockbuster Merger").

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 mergers pursuant to the Paramount Merger Agreement and Blockbuster Merger Agreement (collectively, the "Mergers") have been unanimously approved by the Boards of Directors of each of the respective companies. The obligations of Viacom Inc., Blockbuster and Paramount to consummate the mergers are subject to various conditions, including obtaining requisite stockholder approvals. Viacom Inc. holds sufficient shares of Paramount common stock to approve, on behalf of Paramount, the Paramount Merger and intends to vote its shares of Paramount in favor of the merger, and NAI has agreed to vote its shares of Viacom Inc. in favor of the Mergers; therefore, stockholder approval of the Paramount Merger is assured, and approval by Viacom Inc. of the Blockbuster Merger is also assured.

#### FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The contribution to revenues and earnings from operations of each industry segment and the identifiable assets attributable to each industry segment for each of the last three years ending December 31, are set forth in Note 12 ("Business Segments") to the Consolidated Financial Statements of Viacom Inc. and the Company included elsewhere herein.

#### FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS

Financial information relating to foreign and domestic operations for each of the last three years ending December 31, is set forth in Notes 11 and 12 ("Foreign Operations" and "Business Segments") to the Consolidated Financial Statements of Viacom Inc. and the Company included elsewhere herein.

#### BUSINESS

#### VIACOM NETWORKS

Viacom Networks operates three advertiser-supported basic cable television program services, MTV: MUSIC TELEVISION(R) ("MTV"), including MTV EUROPE(TM) and MTV LATINO(TM), VH-1(R)/VIDEO HITS ONE(R) ("VH-1") and NICKELODEON(R)/NICK AT NITE(R), and three premium subscription television program services, SHOWTIME(R), THE MOVIE CHANNEL(TM) and FLIX(TM). The Company, directly and through Viacom Networks, participates as a joint venturer in four additional advertiser-supported basic cable program services: LIFETIME(R) with The Hearst Corporation and Capital Cities/ABC Video Enterprises, Inc., COMEDY CENTRAL(TM) with Home Box Office ("HBO"), a division of Time Warner Entertainment Company, L.P., NICKELODEON(TM)(U.K.) with a subsidiary of British Sky Broadcasting Limited, and ALL NEWS

CHANNEL(TM) with Conus Communications. On March 29, 1994, the Company agreed to sell its one-third partnership interest in Lifetime to its partners The Hearst Corporation and Capital Cities/ABC Inc. for approximately \$317.6 million; this transaction is expected to close in the second quarter of 1994. MTV Networks launched two new services in 1993, NICKELODEON (U.K.) in September and MTV LATINO in October. Viacom Networks also distributes special events and feature films on a pay-per-view basis through SET(TM) PAY PER VIEW and packages satellite-delivered program services for distribution to home satellite dish owners through SHOWTIME SATELLITE NETWORKS(TM). Viacom Networks, through its operation of the Showtime Entertainment Group, also arranges for the development and production of original programs and motion pictures, including feature films under the Viacom Pictures label. These original programs and motion pictures premiere domestically on SHOWTIME and certain of such programming is exploited in various media worldwide.

Basic cable program services derive revenues primarily from two sources: the sale of advertising time to national advertisers and per-subscriber license fees paid by cable operators and other distributors. Basic cable services are generally offered to customers of cable television operators and other distributors as part of a package or packages of services for a periodic subscription fee. Premium subscription television program services derive revenues primarily from subscriber fees paid by cable television operators and other distributors. Subscribers typically pay fees for each premium service to cable television operators and other distributors.

MTV NETWORKS. MTV Networks ("MTVN") operates MTV: MUSIC TELEVISION, MTV EUROPE, MTV LATINO, NICKELODEON (including the NICKELODEON and NICK AT NITE program segments, and the U.K. NICKELODEON network) and VH-1 which are transmitted via satellite for distribution by cable television operators and other distributors. The MTV, VH-1, NICKELODEON and NICK AT NITE trademarks are strongly identified with the product lines they represent and are significant assets of their respective businesses.

MTV: MUSIC TELEVISION is a 24-hours-a-day, seven-days-a-week program service offering a format which consists primarily of rock music videos, augmented by music and general lifestyle information, promotions, news, interviews, comedy, concert tour information, specials, documentaries and other youth-oriented programming. MTV targets young adult viewers from the ages of 12 to 34. In addition to rock music videos, MTV offers regularly scheduled youth-oriented programming such as the animated BEAVIS & BUTT-HEAD(TM), specials such as the Annual MTV Video Music Awards and the MTV Movie Awards, public affairs campaigns, and series such as UNPLUGGED(TM). MTV successfully merchandised BEAVIS & BUTT-HEAD in 1993, featuring a BEAVIS & BUTT-HEAD album, "THE BEAVIS & BUTT-HEAD EXPERIENCE", released in December 1993 by Geffen Records, and "MTV'S BEAVIS & BUTT-HEAD: THIS BOOK SUCKS", which was the first book of the MTV Books imprint published by Callaway Editions/Pocket Books, a division of Simon & Schuster, in November 1993.

Following the conclusion of MTV's 1992 CHOOSE OR LOSE political awareness campaign and continuing its emphasis on public affairs, MTV launched the FREE YOUR MIND campaign in 1993, focusing on issues of diversity and discrimination, which included on-air promotional spots, news reports and specials and contests.

UNPLUGGED features live acoustical performances by major recording artists such as Eric Clapton, Rod Stewart and 10,000 Maniacs. MTV licenses the distribution of UNPLUGGED home video versions of these performances, and MTV and the applicable record labels release the soundtracks to MTV's UNPLUGGED series.

MTV Productions made its first venture into theatrical film-making by agreeing with Geffen Pictures in 1993 to jointly develop JOE'S APARTMENT into a feature-length film for distribution by Warner Bros. JOE'S APARTMENT is the award-winning short film about a young man's efforts to cope with a big dirty city and a tiny apartment full of talking cockroaches.

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.

MTV EUROPE is a 24-hours-a-day, seven-days-a-week video music network distributed via cable systems and direct-to-home satellite transmission throughout Europe, reaching over 58.3 million subscribers as of December 31, 1993 (based on subscriber counts provided by each distributor of the service). During 1993, MTV EUROPE expanded its reach by entering into distribution arrangements in certain countries in Eastern Europe, the former Soviet Union and the Middle East. MTV EUROPE is designed to communicate with Europe's youth in their language by providing approximately 85% European-sourced youth programming, including music videos, fashion, movie shows, MTV NEWS, trends and social issues.

In October 1993, MTVN launched MTV LATINO, a 24-hours-a-day, seven-days-a-week music-based program service customized for Spanish-speaking viewers, ages 12 to 34, in Latin America and the United States. MTV LATINO reaches subscribers to cable, multichannel, multidistribution systems ("MMDS"), satellite master antenna television ("SMATV") and direct-to-home viewers in approximately 20 territories in Latin America. MTV LATINO was distributed to approximately 2.4 million subscribers as of December 31, 1993 (based on subscriber counts provided by authorized distributors).

MTVN has licensing arrangements covering the distribution of regionally-specific program services called MTV: MUSIC TELEVISION in Asia, Japan and Brazil. MTVN provides creative input and programming, production, marketing and research expertise and support in connection with licenses to each such licensee of the right to package and exhibit a customized MTV program service containing MTV trademarks and logos and a mix of MTV-owned and controlled programming and interstitial material with locally produced programming and interstitial material. Such arrangements include agreements with a subsidiary of HutchVision Limited for a 24-hours-a-day MTV Asia service, which is distributed to 42 million subscriber households via the AsiaSat 1 satellite on the Hong Kong-based Satellite Television Asian Region (STAR) system to 30 countries in Asia and parts of the Middle East; the Abril Group for MTV Brazil, which airs 16-hours-a-day in Brazil, reaching 9.5 million households; and Music Channel Co. Ltd., a joint venture of Pioneer Electronic Corp., TDK Corp. and Tokyu Agency, Inc. for MTV Japan, which launched in December 1992 and is distributed to approximately 810,000 subscriber households in Japan via the Superbird B satellite.

MTVN licenses, in international markets, the format rights and/or broadcast television exhibition rights to MTVN-owned or controlled programming. MTVN also licenses the exhibition of "MTV Internacional", a Spanish-language MTV-produced one-hour program, to Spanish-language television stations in the U.S. and abroad. MTVN anticipates further worldwide licensing of MTVN networks, programs, merchandise and format rights.

NICKELODEON, the first network for kids, is a 24-hours-a-day, seven-days-a-week entertainment program service which combines acquired and originally produced programs in a pro-social, non-violent format, comprising two distinct program segments: NICKELODEON, targeted to audiences ranging from the ages of 2 to 15, and NICK AT NITE, targeted to family audiences including NICKELODEON'S 2 to 15 year old audience and ranging up to age 54. Cable television operators and other distributors typically carry both of the NICKELODEON programming segments.

In 1993, NICKELODEON expanded its successful original animated programming block, NICKTOONS(R), with the introduction of ROCKO'S MODERN LIFE(TM). NICKELODEON continues to develop original animation projects such as REAL MONSTERS(TM), in addition to THE REN & STIMPY SHOW(TM), DOUG(TM) and RUGRATS(R). NICKELODEON also exhibits on Saturday nights SNICK(TM), 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.

NICKELODEON and Sony Music entered into an agreement in April 1993 for Sony to manufacture and distribute NICKELODEON home video and audio products in the U.S. and Canada through its Sony Wonder Children's label. In June 1993, NICKELODEON launched NICKELODEON MAGAZINE, a bi-monthly humor-based children's publication. At December 31, 1993 circulation was approximately 225,000 (based on subscription and newsstand sales); distribution is handled, under agreement with NICKELODEON, by the New York Times' The Family Circle, Inc. (U.S.), and Worldwide Media Service, Inc. (U.K.).

At December 31, 1993, NICKELODEON was licensed to approximately 53.4 million cable subscribers (based on subscriber counts provided by each cable system). At December 31, 1993, 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 December 1992, Nickelodeon Huggings U.K. Limited, a subsidiary of the Company, entered into a joint venture with a subsidiary of British Sky Broadcasting Limited for the launch and operation of NICKELODEON program service in the United Kingdom and Ireland. NICKELODEON in the U.K. is a 12-hours-a-day, seven-days-a-week, satellite-delivered children's programming service which launched in September 1993, and it carries a mix of programming, including original productions from NICKELODEON in the U.S. and programming originally produced by the joint venture for the U.K. market. Pursuant to the joint venture agreement and related parent agreements, the Company guarantees the obligation of its subsidiary and has both the right of first negotiation/last refusal with respect to any sale

of, and the right to approve any purchaser of, the British Sky Broadcasting subsidiary's interest in NICKELODEON U.K. The Company's subsidiary is obligated to fund loans in an amount equal to 50% of NICKELODEON U.K.'s working capital deficit. The Company funded loans of approximately B.P.3,500,000 in 1993 and expects to fund loans of approximately B.P.7,000,000 in 1994.

VH-1/VIDEO HITS ONE is a 24-hours-a-day, seven-days-a-week music program service. VH-1 targets an audience of baby boomers, 25 to 49 years old, rather than the 12 to 34 year-olds targeted by MTV. The format consists primarily of music video clips from the adult contemporary, soft rock, classic oldies, contemporary jazz and country genres, augmented by original animation, music and general lifestyle information and programming, comedy, fashion, nostalgia, interviews and promotions. 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. 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. Substantially all such subscribers also receive MTV.

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.

MTVN derives revenues principally from two sources: the sale of time on its own networks to advertisers and the license of the services to cable television and other system operators. The sale of MTVN advertising time is affected by viewer demographics, viewer ratings and market conditions for advertising time. Adverse changes in market conditions for advertising may affect MTVN's revenues. MTVN derives revenues from license fees paid by cable operators and other distribution systems which deliver programming by satellite and microwave transmissions. In 1993, MTVN derived approximately 58% of its revenues from music programming and approximately 42% of its revenues from children's and other programming.

MTVN also derives revenues from the sale of advertising time within internally produced or co-produced programming distributed to television stations and from the sale of advertising time within such programs produced by third parties. MTVN, through its operation of One World Entertainment, sells barter advertising time in series licensed for distribution to television stations by the Company and third parties, in exchange for a commission.

COMEDY CENTRAL. The Company 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, and other original and acquired comedy programming. Pursuant to the joint venture agreement, the Company is obligated to make capital contributions in an amount equal to 50% of the partnership's working capital deficit (and Viacom Inc. has guaranteed such obligation). The Company's capital contributions for 1993 totaled \$13.6 million. For 1994, the Company estimates its contribution obligation to be approximately \$9 million. COMEDY CENTRAL reached approximately 30.3 million subscriber households according to the Nielsen Report.

LIFETIME. The Company owns a one-third partnership interest in LIFETIME, an advertiser-supported basic cable television network that provides programming directed primarily toward women in the 18 to 54 age group. On March 29, 1994, the Company agreed to sell its one-third partnership interest in LIFETIME to its partners The Hearst Corporation and Capital Cities/ABC Inc. for approximately \$317.6 million; this transaction is expected to close in the second quarter of 1994.

SHOWTIME NETWORKS INC. Showtime Networks Inc. ("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, dramatic series, comedy specials, 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. SHOWTIME, THE MOVIE CHANNEL and FLIX are offered to cable television operators and other distributors (including the Company) under affiliation agreements which for SHOWTIME and THE MOVIE CHANNEL are generally for a term of three to five years and in each case are distributed to the systems they serve by means of domestic communications satellites. As of December 31, 1993, SHOWTIME, THE MOVIE CHANNEL and FLIX, in the aggregate, had approximately 11,900,000 cable and other subscribers in approximately 8,700 cable systems and other distribution systems in 50 states and certain U.S. territories.

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 the Company.

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 the Company, and Conus Communications Company Limited Partnership, a limited partnership whose managing general partner is Hubbard Broadcasting, Inc.) and certain third-party program services. SHOWTIME, THE MOVIE CHANNEL and FLIX are also offered to third-party licensees for subdistribution to home satellite dish owners.

In order to exhibit theatrical motion pictures on premium subscription television, SNI enters into commitments to acquire rights, with an emphasis on acquiring exclusive rights for SHOWTIME and THE MOVIE CHANNEL, from major or independent motion picture

producers and other distributors (including the Company). SNI's exhibition rights always cover the United States and may on a contract-by-contract basis cover additional territories. Theatrical motion pictures are generally exhibited first on SHOWTIME and THE MOVIE CHANNEL after an initial period for theatrical, home video and pay-per-view exhibition and before the period has commenced for standard broadcast television and basic cable television exhibition. FLIX primarily offers motion pictures from the 1960s, 70s and 80s, most of which have been previously made available for standard broadcast and other exhibitions.

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 Inc.'s and the Company'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.

In November 1993, SNI entered into a seven-year agreement with Metro-Goldwyn-Mayer Inc. ("MGM") under which SNI agreed to acquire the exclusive premium television rights in the licensed territory to MGM and United Artists feature films. The agreement includes all qualifying films theatrically released from September 1, 1994 through August 31, 2001, up to a maximum of 150 pictures. This agreement follows a previous agreement between SNI and Pathe Entertainment, Inc., a predecessor-in-interest to MGM. The recent agreement also calls for SNI and MGM to co-finance the production of certain exclusive original movies to be produced for SNI's program services.

Also in 1993, SNI and Sony Pictures Entertainment Inc. entered into a five-year agreement under which SNI agreed to acquire the exclusive premium television rights in the licensed territory 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. Feature films theatrically released by TriStar include SLEEPLESS IN SEATTLE, CLIFFHANGER and PHILADELPHIA.

In February 1994, SNI reached an agreement in principle with Castle Rock Entertainment ("Castle Rock") to acquire the exclusive premium television rights in the licensed territory to additional Castle Rock feature films. This agreement follows SNI's previous output arrangement with Castle Rock, which included such previously theatrically released feature films as A FEW GOOD MEN, CITY SLICKERS, WHEN HARRY MET SALLY, MISERY, MALICE and IN THE LINE OF FIRE. The new agreement includes all qualifying Castle Rock motion pictures theatrically released from 1994 through 1999, up to a maximum of 55 pictures.

In March 1994, SNI entered into an agreement with Orion Pictures Corporation ("Orion") under which SNI agreed to acquire the exclusive premium television rights in the licensed territory to up to 30, in the aggregate, motion pictures, including qualifying motion pictures theatrically released from 1994 through 1996 and qualifying original motion pictures. This agreement follows a previous output agreement between SNI and Orion.

In 1989, SNI agreed with Walt Disney Pictures ("Disney") to acquire exclusive premium television rights in the licensed territory to qualifying feature films (up to a maximum of 125 films) produced and distributed by Disney's major distribution labels (other than the Disney label) and theatrically released during the five-year period commencing January 1, 1991. These films include SISTER ACT 2, TOMBSTONE, THE JOY LUCK CLUB and WHAT'S LOVE GOT TO DO WITH IT. In addition, SNI has agreements with (among other suppliers) New Line Distribution, Inc., Imagine Films Entertainment, Inc., Cannon Pictures, Inc., and Polygram Filmed Entertainment Distribution, Inc.

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, which was formed in 1992. The Showtime Entertainment Group reflects SNI's increased commitment to the development and production of original programming and includes the operation of Viacom Pictures, a division of the Company.

Viacom Pictures arranges for the development and production of motion pictures that are exhibited theatrically in foreign markets and premiere domestically on SHOWTIME. These films are then made available for distribution to various media worldwide, with the exception of the U.S. theatrical market. These feature films are generally budgeted at an average cost of approximately \$5 million. During 1993, Viacom Pictures completed principal photography on two films: PAST TENSE, starring Scott Glenn, Anthony LaPaglia and Lara Flynn Boyle, and ROSWELL, starring Kyle MacLachlan, Martin Sheen and Dwight Yoakam.

The Showtime Entertainment Group also has entered into commitments to produce, distribute and/or exhibit other original programming, including series, films, documentary programs, comedy specials and boxing events. In 1993, for example, SNI televised comedy specials featuring Tim Allen, Brett Butler and Shelley Long, boxing matches featuring such fighters as Julio Cesar Chavez, and the critically acclaimed dramatic anthology series entitled FALLEN ANGELS, episodes of which were directed by Michael Mann, Steve Soderbergh, Jonathan Kaplan and Tom Cruise and starred Gary Oldman, Laura Dern, Meg Tilly, Gabrielle Anwar, James Woods, Joe Mantegna, Gary Busey and Alan Rickman. In addition to exhibiting these original programs and motion pictures on its premium subscription services, SNI distributes certain of such programming for exploitation in various media worldwide.

ADDITIONAL INFORMATION ABOUT VIACOM NETWORKS. The domestic program services of MTVN and SNI are currently transmitted over transponders principally on GE Americom's C-3 and C-4 and the Hughes Galaxy I and V domestic satellites. In 1994, Viacom Networks program services on Galaxy I will move to AT&T's Telstar 302. NICKELODEON (U.K.) program service is transmitted over the Astra 1-C satellite. MTV LATINO is transmitted over PanAmSat-1. MTV EUROPE is transmitted over the Astra 1-A, Astra 1-B and Eutelsat II-F1 satellites.

The Company has entered into pre-launch agreements for international satellite coverage on Apstar-1 and Apstar-2, covering a broad Asian area, on PanAmSat-2 (Pacific Rim area), PanAmSat-3 (Latin America) and PanAmSat-4 (India/Middle East and South Africa) and Eutelsat II-F6 (greater Europe), all for service beginning in 1994 and 1995.

The Company entered into agreements, as of August 27, 1992, with United States Satellite Broadcasting Inc. ("USSB"), a subsidiary of Hubbard Broadcasting, Inc., for the direct broadcast satellite distribution using high-powered Ku-band technology ("DBS") of each of the Company's wholly owned basic cable and premium networks. These networks are expected to be offered by USSB to DBS customers beginning in 1994, and will be delivered directly to dishes located at DBS customers' homes from the first high-powered Ku-band satellite serving the U.S., which was launched in December 1993. DBS delivery utilizes consumer dishes significantly smaller than the C-band consumer dishes currently in use by home satellite dish owners in the U.S.

#### VIACOM ENTERTAINMENT

Viacom Entertainment is comprised of (i) Viacom Enterprises, which distributes television series, feature films, made-for-television movies, mini-series and specials for television exhibition in various markets throughout the world and also distributes television series 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 and other television properties independently and in association with others primarily for initial exhibition on U.S. prime time network television; (iii) Viacom New Media, which was established in 1992 to develop, produce, distribute and market interactive software for the stand alone and other multimedia marketplaces; (iv) Viacom World Wide, which explores and develops business opportunities in international markets primarily in cable and premium television; and (v) Viacom MGS Services, which duplicates and distributes television and radio commercials. Viacom Enterprises and Viacom Productions are expected to be consolidated with Paramount's television operations during 1994.

VIACOM ENTERPRISES. Viacom Enterprises distributes or syndicates television series, feature films, made-for-television movies, mini-series and specials, and first run series for television exhibition in domestic and/or international broadcast, cable and other markets. Feature film and television properties are acquired from third parties or result from the Company's own production activities, including television properties produced by Viacom Productions and certain television properties produced by or for MTV Networks. Third-party agreements for the acquisition of distribution rights are generally long-term and exclusive in nature; such agreements frequently guarantee a minimum recoupable advance payment to such third parties and generally provide for periodic payment to such third parties based on the amount of revenues derived from distribution activities after deduction of Viacom Enterprises' percentage distribution fee, recoupment of distribution expenses and recoupment of any advance payments.

At December 31, 1993, Viacom Enterprises held domestic and/or international television distribution rights to approximately 5,000 half-hour series episodes, 2,000 one-hour series episodes, 1,500 feature films and television movies, and 30 mini-series.

At December 31, 1993, Viacom Enterprises distributed television product to, among other outlets, approximately 750 domestic broadcast television stations, including stations in every principal city in the U.S., and to outlets in approximately 120 other countries

around the world. Viacom Enterprises generally licenses product to exhibitors for periods of one to six years, with license fee payments due over a somewhat shorter period.

Episodes of a network television series from the first four seasons on a broadcast network generally become available for exhibition in domestic syndication to broadcast television stations commencing upon the start of the fifth broadcast season on the network; episodes from each subsequent broadcast season generally become available for such domestic syndication at the conclusion of each such subsequent broadcast season. Episodes of network television series are available for exhibition by foreign stations prior to or concurrent with their initial network runs. Generally, a network television series must air for at least three full broadcast seasons before it has value for such domestic syndication. Television programs can be made available to stations and other outlets, such as cable television services, on a first run basis without having been exhibited on any of the networks. The Company has greater control over the availability for exhibition in such domestic syndication of programming developed by and for Viacom's cable networks than of programming developed for network television. The Company has adopted a strategy of internal development of first run programs utilizing in-house creative resources from within Viacom Enterprises and from elsewhere within the Company, such as MTV Networks. Feature films which have been released theatrically generally become available for exhibition in such domestic syndication after their theatrical, home video, pay-per-view, and premium television exhibition periods have expired (which is generally three to four years after domestic theatrical release) and for network or ad hoc network exhibition between the first and second premium television windows. Such feature films generally become available for free television exhibition by foreign stations after the foreign theatrical, home video, pay-per-view (if any) and premium television (if any) exhibition periods have expired (which is generally two to three years after theatrical release in the applicable foreign market).

The Company controls the exclusive worldwide broadcast, basic cable, premium, and home video television distribution rights to ROSEANNE, now in its sixth network broadcast season on ABC, and THE COSBY SHOW, which completed its eight-year network run at the end of the 1991/92 network broadcast season. The start of the sixth network season of ROSEANNE automatically triggered the first of three 26-week extensions of individual station licenses for ROSEANNE's initial licensing in domestic syndication, which was made on a cash plus barter basis. The second licensing period in domestic syndication for THE COSBY SHOW commenced in September 1993 (upon expiration of the term for the initial licensing in domestic syndication of THE COSBY SHOW) on an all-cash basis.

The Company also controls certain worldwide exclusive distribution rights to classic network series such as I LOVE LUCY, THE ANDY GRIFFITH SHOW, THE BEVERLY HILLBILLIES, HAWAII FIVE-O and THE TWILIGHT ZONE. The Company is also offering VIACOM SEASONAL SPECIALS FEATURING NICKTOONS which brings six one hour seasonally themed specials, drawn from MTV Networks' critically acclaimed NICKTOONS animation block, to broadcast television.

In addition, the Company controls the exclusive worldwide distribution rights in all media to various network television movies and series produced by Viacom Productions such as the PERRY MASON

television movies starring Raymond Burr, the DIAGNOSIS MURDER television movies and series starring Dick Van Dyke and the MATLOCK series starring Andy Griffith. Most episodes of MATLOCK and most of the PERRY MASON television movies are currently available for exhibition in domestic syndication. (See "BUSINESS -- Viacom Entertainment -- Viacom Productions")

The Company had accumulated a backlog of unbilled license agreements of approximately \$399 million at December 31, 1993. As the entire license fee amount is billed during the term of various licensing contracts, the Company will recognize as revenues that portion of such amount representing its distribution fees. Down payments and other accelerated payments of license fees are included in the backlog and are recognized as revenues in accordance with the billing terms of the license agreements. (See Note 1 to the Consolidated Financial Statements of Viacom Inc. and the Company for an explanation as to how license fees are billed.) Approximately 58% of the Company's backlog is attributable to license fees for ROSEANNE and THE COSBY SHOW. As THE COSBY SHOW becomes a smaller portion of the total backlog, the percentage of the total license fee recognized as revenue by the Company will be reduced.

Since the late 1970s, the Company has produced and/or acquired television series for distribution on a first run basis. There is a financial exposure to the Company when it acquires or produces such series to the extent that advertising revenues derived by the Company and/or license fees paid by television stations to the Company are not sufficient to cover production costs. The Company typically offers to license new episodes of a first run series on a broadcast season basis. Generally, a first run series may be canceled by the Company for any reason at any time; in such event, television station licenses for such first run series are subject to termination by the Company, and the Company may have certain financial obligations to the producer notwithstanding cancellation. The Company is currently offering the third season (since its national launch) of THE MONTEL WILLIAMS SHOW, a first run one-hour strip (five times per week) talk show which premiered in Spring 1991 and was nationally launched in September 1992, on a cash plus barter basis, and NICK NEWS, a first run half hour weekly (one time per week) news and information show targeted for audiences 12 years old and under, which was nationally launched in September 1993 on an all-barter basis.

The Company licenses certain ancillary rights to third parties, including home video, video disc and merchandising rights. These rights can be acquired concurrently with a program acquisition, derived from programs or characters created in-house, or directly licensed from the holders of such rights. These activities have not been a source of significant revenues to date.

For the year ended December 31, 1993, approximately 37% of Viacom Enterprises' revenues were attributable to foreign operations and export business. A substantial portion of such revenues is derived in countries that have import quotas and other restrictions which limit the number of foreign programs and films exhibited in such countries. (See "BUSINESS -- Regulation -- Viacom Entertainment -- European Community Directive")

VIACOM PRODUCTIONS. Viacom Productions Inc. ("Viacom Productions") produces programs independently and in association with others primarily for U.S. network prime time television.

These programs, which include television movies, series and mini-series, are also a source of product for the Company's distribution activities. There is a financial exposure to the Company with respect to such programs to the extent that revenues from distribution or syndication in foreign or domestic broadcast, cable and/or other markets are not sufficient to cover production deficits (i.e., the

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difference between production costs and network license fees). For the 1993/94 broadcast season, Viacom Productions is producing the eighth network broadcast season of Andy Griffith's MATLOCK series (ABC); three additional PERRY MASON mystery television movies (NBC); the first network broadcast season of Dick Van Dyke's DIAGNOSIS MURDER series (CBS); two television movies starring Louis Gossett, Jr. (NBC); and several two-hour television movies, including THE ANISSA AYALA STORY (NBC); DESPERATE JOURNEY, starring Mel Harris (ABC); and SIN AND REDEMPTION, starring Richard Grieco (CBS). Viacom Productions also produces movies for cable television networks, including THEY, starring Vanessa Redgrave (SHOWTIME) and A FRIENDLY SUIT, starring Melissa Gilbert and Marlee Matlin (LIFETIME).

VIACOM NEW MEDIA. Viacom New Media, the Company's interactive publishing division, was formed in 1992 to develop, produce, distribute and market interactive software for the stand-alone and other multimedia marketplaces. ICOM Simulations, Inc., an interactive software development company, was acquired by the Company in May 1993 and has been integrated into Viacom New Media; among other things, ICOM Simulations, Inc. is known for its SHERLOCK HOLMES CONSULTING DETECTIVE series of CD-ROM products. Viacom New Media released an interactive horror movie on CD-ROM entitled DRACULA UNLEASHED in the fourth quarter of 1993. In 1994, Viacom New Media expects to release original video games and CD-ROM products based on certain MTV Networks programs, including ROCKO'S MODERN LIFE (currently scheduled for second quarter 1994 release) and BEAVIS & BUTT-HEAD. Viacom New Media also expects to participate in the development of interactive programming for the Viacom/AT&T Castro Valley cable system project. (See "BUSINESS -- Viacom Cable Television")

VIACOM WORLD WIDE LTD. Viacom World Wide Ltd. ("Viacom World Wide") explores and develops international business opportunities in all media, focusing primarily on countries with recently deregulated television industries. Viacom World Wide works closely with the Company's other operating units in identifying international business opportunities. Viacom World Wide also provides consulting services to companies overseas. Over the past year, Viacom World Wide has provided strategic and business planning services to corporations in the Middle East and engineering services in Japan. None of these services has been a source of significant revenues to date nor required significant capital contributions by the Company.

VIACOM MGS SERVICES. Viacom MGS Services Inc. ("MGS") distributes, duplicates and stores taped and filmed television commercials, radio commercials, and other programs for advertisers and agencies, production houses and industrial and educational customers.

#### VIACOM CABLE TELEVISION

CABLE OPERATIONS. At December 31, 1993, Viacom Cable Television ("Viacom Cable") was approximately the 13th largest multiple cable television system operator in the United States with approximately 1,094,000 subscribers. In January 1993, the Company completed the

sale of its suburban Milwaukee cable system, serving approximately 47,000 customers, to Warner Communications Inc., a unit of Time Warner Entertainment Co., L.P. as part of the settlement of the Company's antitrust lawsuit against Time Warner Inc. Viacom Cable's systems are operated pursuant to non-exclusive franchises granted by local governing authorities.

Viacom Cable offers two tiers of primary (i.e., non-premium) service: "Limited Service", which consists generally of local and distant broadcast stations and all public, educational and governmental channels ("PEG") required by local franchise authorities; and, the "Satellite Value Package", which provides additional channels of satellite-delivered cable networks. Monthly service fees for these two levels of primary service constitute the major source of the systems' revenue.

The monthly service fees for Limited Service and the Satellite Value Package are regulated under the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") (See "BUSINESS -- Regulation -- Viacom Cable -- Federal Regulation"). At December 31, 1993, the fixed monthly fees charged to customers for primary services varied by geographic area and ranged from \$9.00 to \$14.84 per month for Limited Service and from \$21.25 to \$25.78 for the combination of Limited Service plus the Satellite Value Package, in each case for all of an individual customer's television connections. The Company offers customers the Company's own basic programming services, as well as third-party services such as CNN and ESPN. An installation charge is levied in many cases but does not constitute an important source of revenue. Customers are free to discontinue service at will. None of Viacom Cable's systems is exempt from rate regulation under the 1992 Cable Act.

Viacom Cable offers premium cable television programming, including the Company's premium subscription television services, to its customers for an additional monthly fee of up to \$12.25 per premium service. As of December 31, 1993, the Company's cable television systems had approximately 718,000 subscriptions to premium cable television program services.

Viacom Cable customers who elect to subscribe to Limited Service alone are also able to purchase premium and pay-per-view services offered by the Company without first having to "buy through" the Satellite Value Package. The 1992 Cable Act requires cable operators to implement this practice where no technological limitations exist. (See "BUSINESS -- Regulation -- Viacom Cable -- Federal Regulation")

Viacom Cable also derives revenue from sales of available advertising spots on advertiser-supported programming and sharing of revenues from sales of products on home shopping services offered by Viacom Cable to its customers.

Cable operators require substantial capital expenditures to construct systems and significant annual expenditures to maintain, rebuild and expand systems. The equipment of each cable system consists principally of receiving apparatus, trunk lines, feeder cable and drop lines connecting the distribution network to the premises of the customers, electronic amplification and distribution equipment, converters located in customers' homes and other components. System construction and operation and quality of equipment used must conform with federal, state and local electrical and safety codes and certain



regulations of the FCC. Viacom Cable, like many other cable operators, is analyzing potential business applications for its broadband network, including interactive video, video on demand, data services and telephony. These applications, either individually or in combination, may require technological changes such as fiber optics and digital compression. If these applications justify capital spending in excess of current projections, Viacom Cable will revise its capital needs accordingly. Although management believes the equipment used in the cable operations is in good operating condition, except for ordinary wear and tear, Viacom Cable invests significant amounts each year to upgrade, rebuild and expand its cable systems. During the last five years, Viacom Cable's capital expenditures were as follows: 1989: \$40 million; 1990: \$46 million; 1991: \$45 million; 1992: \$55 million; and 1993: \$79 million. The Company expects that Viacom Cable's capital expenditures in 1994 will be approximately \$100 million.

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 the Company currently has a 21.4% equity interest which it has the right to increase to 35%), 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 Corporation ("NYNEX"), Viacom has granted NYNEX a right of first refusal with respect to providing telephony service upgrade expertise to Viacom Cable.

AS OF DECEMBER 31, 1993

	APPROXIMATE HOMES IN FRANCHISE AREA (1)	APPROXIMATE HOMES PASSED BY CABLE (2)	NUMBER OF PRIMARY CUSTOMERS (3)	PRIMARY PENETRATION (4)	PREMIUM UNITS (5)	PREMIUM PENETRATION (6)	MILES OF CABLE DISTRIBUTION
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Bay Area Region							
Marin (7)	81,000	79,600	61,800	78%	30,200	49%	638
Sonoma (7)	45,000	44,700	34,500	77%	17,000	49%	514
Napa (7)	33,000	32,600	22,900	70%	11,800	52%	302
East Bay/Castro Valley(7)	85,000	85,400	70,800	83%	53,700	76%	668
Pittsburg/Pinole(7)	72,000	71,400	53,600	75%	37,900	71%	511
San Francisco	354,500	334,000	161,800	48%	117,700	73%	709
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Total Bay Area Region	670,500	647,700	405,400	63%	268,300	66%	3,342
Ore-Cal Region							
Redding (7)	55,800	53,400	35,400	66%	17,400	49%	629
Oroville(7)	42,600	38,700	25,100	65%	8,800	35%	482
Salem	74,400	72,300	42,500	59%	21,700	51%	600
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Total Ore-Cal Region	172,800	164,400	103,000	63%	47,900	47%	1,711
Puget Sound Region (7)	614,300	595,900	408,600	69%	253,200	62%	6,123
Mid-West Region							
Nashville (17)	265,000	227,100	125,400	55%	99,000	79%	2,222
Dayton	98,000	94,800	51,700	55%	49,700	96%	633
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Total Mid-West Region	363,000	321,900	177,100	55%	148,700	84%	2,855
Total Viacom Cable	1,820,600	1,729,900	1,094,100	63%	718,100	66%	14,031
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- (1) Homes in franchise area represents Viacom Cable's estimate based upon local sources such as city directories, chambers of commerce, public utilities, public officials and house counts.
  - (2) Homes are deemed "passed by cable" if such homes can be connected without any further extension of the transmission lines.
  - (3) Represents the number of homes connected, rather than the number of television outlets connected within such homes.
  - (4) Represents primary customers as a percentage of homes passed by cable.
  - (5) The premium unit count is based on the total number of premium services subscribed to by primary customers.
  - (6) Represents premium units as a percentage of primary customers.
  - (7) Other cable television companies have franchises and serve parts of these areas in which the Company has franchises.

VIACOM BROADCASTING

Viacom Broadcasting is engaged in the operation of five television and 14 radio stations. The Company's television and radio stations operate pursuant to the Communications Act of 1934, as amended (the "Communications Act"), and licenses granted by the FCC, which are renewable every five years in the case of television stations and every seven years in the case of radio stations.

VIACOM TELEVISION. The Company owns and operates the following five television properties:

STATION AND METROPOLITAN AREA SERVED	TYPE	NETWORK AFFILIATION AND EXPIRATION DATE OF AGREEMENT	YEAR ACQUIRED
KMOV-TV St. Louis, MO	VHF	CBS/December 31, 1994	1986
WVIT-TV Hartford-New Haven- New Britain-Waterbury, CT	UHF	NBC/July 2, 1995	1978
WNYT-TV Albany-Troy-Schenectady, NY	VHF	NBC/September 28, 1995	1980
KSLA-TV Shreveport, LA	VHF	CBS/June 30, 1995	1983
WHEC-TV Rochester, NY	VHF	NBC/August 13, 1994	1983

As reflected in the table above, each of the Company's television stations is affiliated with a national television network. Such affiliations can be an advantage, because network programming is often competitively stronger and results in lower programming costs than would otherwise be necessary to obtain programming from other sources. The Company expects that the affiliation agreements which expire in 1994 will be renewed.

In addition to fees paid by networks to their affiliates, the principal source of revenue for the Company's television stations is the sale of broadcast time that has not been sold by the networks to national, local and regional advertisers. Such sales may involve all or part of a program or spot announcements within or between programs. Broadcast time is sold to national advertisers through national sales representatives who are compensated on a commission basis at normal industry rates. Advertising is sold to local and regional advertisers through a station's own sales force. Local and national spot advertising is generally sold pursuant to contracts which are for short periods and are generally cancelable upon prior notice but which are frequently renewed for additional terms.

VIACOM RADIO. The Company owns and operates the 14 radio stations listed below. On June 16, 1993, the Company acquired the assets of KQLZ-FM (now KXEZ-FM), serving Los Angeles, California and on November 1, 1993, the Company acquired the assets of WCXR-FM and WCPT-AM serving Washington, D.C., in exchange for the assets of KIKK-AM/FM serving Houston, Texas and cash. The Company now operates multiple FM and/or multiple AM stations in Seattle, Washington (2 FMs, 1 AM), Los Angeles, California (2 FMs) and Washington, D.C. (2 FMs, 2 AMs) as permitted by the FCC's recently liberalized ownership rules which permit common ownership of two or more AM or two or more FM stations in the same market. Pursuant to the FCC's order on March 4, 1994 consenting to the transfer of control of Paramount's broadcast licenses to Viacom Inc., which licenses include a television station serving Washington, D.C., the Company has undertaken to dispose of one AM and one FM radio station serving Washington, D.C. no later than September 11, 1995. (See "BUSINESS -- Regulation -- Viacom Broadcasting -- Ownership Limitations")

STATION AND METROPOLITAN AREA SERVED	FREQUENCY	POWER WATTS	RADIO STATION FORMAT	YEAR ACQUIRED
WLTW-FM New York, NY	106.7 MHz	50,000	Adult Contemporary	1980
WLIT-FM Chicago, IL	93.9 MHz	50,000	Adult Contemporary	1982
WLTJ-FM Detroit, MI	93.1 MHz	50,000	Adult Contemporary	1988
WMZQ-AM-FM Washington, D.C.	(AM) 1390 KHz (FM) 98.7 MHz	5,000 50,000	Country	1984 1980
WCXR-FM	105.4 MHz	50,000	Classic Rock	1993
WCPT-AM Washington, D.C.	730 KHz	5,000 D* 20 N*	CNN Headline News	1993
KBSG-AM-FM Tacoma/Seattle, WA	(FM) 97.3 MHz (AM) 1210 KHz	100,000 10,000 D* 1,000 N*	Oldies	1987 1989
KNDD-FM Seattle, WA	107.7 MHz	100,000	New Rock (AOR)	1992

STATION AND METROPOLITAN AREA SERVED	FREQUENCY	POWER WATTS	RADIO STATION FORMAT	YEAR ACQUIRED
KYSR-FM Los Angeles, CA	98.7 MHz	75,000	Adult Contemporary	1990
KXEZ-FM Los Angeles, CA	100.3 MHz	50,000	Adult Contemporary	1993
KSRY-FM San Francisco, CA	98.9 MHz	50,000	Adult Contemporary	1990
KSRI-FM Santa Cruz/San Jose, CA	99.1 MHz	50,000	Adult Contemporary	1990

\* D/N = Day/Night

As indicated in the table above, the radio stations generally have specialized program formats targeted to specific audiences. In addition, the stations' programming includes entertainment, news, religion, sports, education and other topics of general interest. The stations also provide time for public affairs, educational and cultural programs and for discussion of local and national issues.

Radio station revenues are derived almost entirely from the sale of advertising time. Only a small amount of such revenues is derived from sponsored programs or non-broadcast sources. As is customary in the industry, national representatives are engaged to obtain advertising from and to sell broadcast time to national advertisers, and are compensated on a commission basis. The stations' own sales forces sell advertising time to local and regional advertisers. Local, regional and national advertising is generally sold pursuant to contracts which are for short periods and generally are cancelable upon prior notice, but frequently are renewed for additional terms.

#### REGULATION

The Company's entertainment, cable television and broadcasting businesses are subject to extensive regulation by federal, state and local governmental authorities and its programming businesses are affected thereby. The rules, regulations, policies and procedures affecting these businesses are constantly subject to change. The descriptions which follow are summaries and should be read in conjunction with the texts of the statutes, rules and regulations

described herein. The descriptions do not purport to describe all present and proposed federal, state and local statutes, rules and regulations affecting the Company's businesses.

#### VIACOM ENTERTAINMENT

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

**FINANCIAL INTEREST AND SYNDICATION RULES.** The financial interest and syndication rules ("finsyn rules") were adopted by the FCC in 1970. These rules significantly limited the role of broadcast television networks in broadcast television program syndication. The financial interest rule prohibited a network from acquiring a financial or proprietary right or interest in the exhibition (other than its own broadcast network exhibition), distribution or other commercial use in connection with the broadcasting of any television program of which it is not the sole producer. The syndication rule prohibited a network from syndicating programming domestically to television stations for non-network exhibition and precluded a network from reserving any rights to participate in income derived from domestic broadcast syndication, or from foreign broadcast syndication where the network was not the sole producer. For the purposes of these rules, a broadcast network was defined as any entity which offers an interconnected program service on a regular basis for 15 or more hours per week to at least 25 affiliated television stations in 10 or more states.

In 1991 the FCC adopted modified finsyn rules. In 1992, these rules were vacated by the U.S. Court of Appeals for the Seventh Circuit (the "Seventh Circuit Appeals Court"), acting on appeals filed by ABC, CBS, NBC and others. In 1993 the FCC adopted a decision (the "Decision") further modifying the finsyn rules effective as of June 5, 1993, although ABC, CBS, and NBC could not commence operating under the modified finsyn rules until November 10, 1993 when the antitrust consent decrees to which they are subject were modified to eliminate certain restrictions by an order (the "Order") of the U.S. District Court for the Central District of California (the "District Court"). The modified rules will expire in November 1995, absent an affirmative FCC action retaining or further modifying them. The FCC is to initiate a final review of the modified rules six months prior to their November 1995 expiration date and proponents of their continuance have the burden of proving that the public interest requires their continued retention. The Decision has been appealed by the networks and others, and all appeals have been consolidated before the Seventh Circuit Appeals Court. The Company is unable to predict what action the court will take when it reviews the Decision or what effect, if any, the Decision will have on the Company's distribution and production activities.

The Decision eliminates certain restrictions on network acquisition of financial interests and syndication rights in network programming. With respect to first run programs, networks may not acquire any financial interests or syndication rights except in programs produced solely by the network and in programs distributed only outside the U.S. The networks are also prohibited by the modified rules from directly engaging in syndication in the U.S. of both network prime time entertainment programs and first run programs, but they may syndicate non-prime time network programs and network non-entertainment programs in the U.S. and any programs in foreign markets. Networks must also release prime time entertainment programs in which they hold syndication rights into the syndication market no later than four years after the program's network debut or within six months after the end of the network run, whichever is earlier. In addition, networks are also subject to certain certification and reporting requirements. A network is defined in the modified rules as any entity that provides more than 15 hours of prime time programming per week to affiliates reaching 75% of television households nationwide. Emerging networks not currently meeting the network definition are exempt from the modified rules except for certain reporting requirements which become applicable when they commence providing 16 hours per week of prime time programs to their affiliates. The networks must use an independent syndicator to distribute off-network prime time entertainment programs in which they hold syndication rights, and there must be no contractual or other understandings between the network and the syndicator regarding the subsequent sale or scheduling of the syndicated program that would have the direct or indirect effect of affiliate station favoritism.

The FCC will consider complaints if a party can make a showing undermining the credibility of the independence of the syndicator, and it is unclear whether such complaints may be directed only to the network involved or whether independent syndicators may also be subject to such complaints.

**PRIME TIME ACCESS RULE.** The Prime Time Access Rule ("PTAR") prohibits network affiliates in the top 50 markets (designated by the FCC based on survey data) from exhibiting network or off-network programming during more than three out of the four prime time hours, with certain limited exceptions. The Decision provided that first run programming produced by a network will be considered network programming for this purpose.

A number of interested parties have raised the issue of whether PTAR should be modified or repealed. Certain programmers are seeking modification of PTAR to permit the exhibition of off-network programming. The licensee of WCPX-TV, Orlando, Florida, has sought elimination of PTAR on First Amendment grounds and certain West Coast network affiliates have obtained PTAR waivers from the FCC that facilitated the commencement of network prime time one hour earlier.

If PTAR itself is so modified or is eliminated, the Company is unable to predict the effect, if any, on its first run and other



distribution activities. The Company is also unable to predict whether earlier commencement of network prime time programming would affect the availability of prime time for the presentation of syndicated programs on network-affiliated stations.

EUROPEAN COMMUNITY DIRECTIVE. In October 1989, the European Commission directed each European Community member country to adopt broadcast quota regulations based on its guidelines by October 3, 1991. All member countries other than Spain and the Flemish region of Belgium have enacted legislation aimed at adopting such regulations. Such broadcast quota regulations may limit the amount of U.S. produced programming to be purchased by foreign customers which could have an adverse impact on the Company's foreign syndication operations. Similar rules are contained in a Council of Europe Convention which went into force on May 1, 1993. This has currently been ratified by Cyprus, Italy, Poland, San Marino, Switzerland, the Vatican and the United Kingdom.

#### VIACOM CABLE

##### Federal Regulation

1992 CABLE ACT. On October 5, 1992, Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") substantially amending the regulatory framework under which cable television systems have operated since the Communications Act of 1934, as amended (the "Communications Act"), was amended by the Cable Communications Policy Act of 1984 (the "1984 Act"). The FCC through its rules and regulations began implementing the requirements of the 1992 Cable Act in 1993 and is currently engaged in several proceedings in order to adopt additional rules and regulations or to reconsider and/or amend certain of the rules and regulations previously adopted. The extent and materiality of the effects of the 1992 Cable Act on Viacom Cable and Viacom Networks depend to a large degree on the final form of the FCC's implementing regulations and the outcome of judicial challenges to various provisions of the 1992 Cable Act as more fully discussed below. The following is a summary of certain significant issues:

Rate Regulation. Rate regulations adopted in April 1993 by the FCC

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(the "April 1993 Regulations") 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 have not yet been published in their final form. The "benchmark" formula adopted as part of the April 1993 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. Because the text of the February 22nd Regulations has not been released, it is not possible to know the extent or nature of the revisions to the April 1993 Regulations. However, from public statements made during the FCC's February 22 meeting and news releases issued thereafter, it appears that the February 22nd Regulations will contain a new formula for determining permitted rates. The new formula may require up to 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, the Company estimates that it will recognize a reduction to revenues 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. The Company'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 from a date to be announced by the FCC when it publishes precise regulations which implement the February 22nd Regulations. Until the February 22nd Regulations are released, it is not possible to predict the effects of the interim standards governing cost-of-service proceedings; however, based on the FCC's public statements, the Company 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. The Company'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 may also be restricted by the new regulations adopted as part of the February 22nd Regulations. No such mitigating factors are reflected in the estimated reductions to revenues. The stated reduction to revenues may be mitigated by the higher customer growth due to lower primary service rates. The Company 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 the Company.

Vertical Integration. Certain pricing and other restrictions are

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imposed on vertically integrated cable programmers (such as the Company) with respect to their dealings with multichannel distributors of programming, such as cable systems, SMATV systems, MMDS operators and TVRO and DBS distributors (as defined in "BUSINESS--Competition--Viacom Cable Television"). The FCC's implementing regulations governing access by multichannel distributors to the programming of vertically integrated cable programmers limit the extent to which a vertically integrated cable programmer can differentiate in pricing or other terms and conditions of carriage between and among multichannel distributors. Because the application of these new regulations is subject to numerous uncertainties, the Company is currently unable to determine their impact, if any, on the Company. The FCC's implementing regulations also limit the number of channels on a cable system which may be used to carry the programming of such system's affiliated (vertically integrated) cable programmers. These regulations provide generally that no more than 40% of such a system's channels can be used to carry the programming of the system's

affiliated cable programmers. These channel occupancy limits apply only up to 75 channels of a given system. The FCC also considered whether limits should be placed on a multichannel distributor's right to participate in the production or creation of programming, and concluded that no such limits are appropriate at this time. The FCC's implementing regulations governing access by multichannel distributors to the programming of vertically integrated cable programmers and regarding channel occupancy limits are subject to pending petitions for reconsideration at the FCC.

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Must Carry/Retransmission Consent. Commercial television stations

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which are "local" to communities served by a cable system can elect to require either (a) carriage (and with certain restrictions, channel position) on the cable system ("Must Carry"), or (b) payment (monetary or in-kind) in consideration for their consent to the retransmission of their signal by the cable system ("Retransmission Consent"). In addition, a cable system may not carry any commercial non-satellite-delivered television station which is "distant" to communities served by such system or any radio station without obtaining the consent of such station for such retransmission; however, such television and radio stations do not have Must Carry rights. Such stations may require payment in consideration for Retransmission Consent. Viacom Cable has negotiated retransmission rights for a number of commercial stations which it carries. Some of these agreements are on an interim basis and may be canceled by the stations. Viacom Cable carries other stations pursuant to their exercise of their Must Carry rights. Local non-commercial television stations have Must Carry rights, but may not elect Retransmission Consent. The Must Carry rules were challenged by cable program services and cable system operators. In April 1993, a District of Columbia three judge court upheld the rules against a facial First Amendment attack. The U.S. Supreme Court accepted review; oral argument was heard in January 1994 and a decision is expected by July 1994. (See "BUSINESS -- Regulation -- Viacom Broadcasting -- Must Carry/Retransmission Consent")

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Limits on Number of Subscribers. The FCC's implementing

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regulations generally impose a 30% horizontal ownership limit on the number of homes passed by cable that any one cable operator can serve nationwide through systems in which it has an attributable interest (the Company serves approximately 2% of "homes passed" nationwide). In view of a recent federal district court decision holding that this imposition of horizontal ownership limits is unconstitutional, the FCC has stayed the effectiveness of this 30% limit until final judicial resolution of the constitutional issue.

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Buy Through to Premium Services. Pursuant to the 1992 Cable

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Act, a cable system may not require subscribers to purchase any tier of service other than the basic service tier in order to obtain services offered by the cable operator on a per channel (e.g., premium services) or pay-per-view basis. A cable system

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which is not now fully addressable and which cannot utilize other means to facilitate access to all of its programming will have up to 10 years to fully comply with this provision through the implementation of fully addressable technology. The Company's cable systems have already begun to implement compliance.

Among other things, the 1992 Cable Act and the FCC's implementing regulations also: (i) with certain exceptions, require a three-year holding period before the resale of cable systems; (ii) provide that franchising authorities cannot unreasonably refuse to grant competing franchises (all of the Company's current franchises are non-exclusive); (iii) require that the FCC study the cost and benefits of issuing regulations with respect to compatibility between cable system equipment and consumer electronics such as VCRs and issue such regulations as may be appropriate; and (iv) facilitate the manner in which third parties can lease channel capacity from cable systems and provide that the maximum rates which a cable system can charge for leased channel capacity may be set by the FCC. Pursuant to the 1992 Cable Act, the FCC adopted minimum customer service standards and also determined the circumstances under which local franchising authorities may impose higher standards.

Lawsuits have been filed challenging the constitutionality of various provisions of the 1992 Cable Act including the provisions relating to rate regulation, Must Carry, Retransmission Consent, the pricing and other restrictions imposed on vertically integrated cable programmers with respect to their dealings with multichannel programming distributors, and the mandated availability of cable channels for leased access and PEG programming.

COMPETITION WITH TELEPHONE COMPANIES. 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 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

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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. At present, state and/or local laws do not prohibit cable television companies from engaging in certain kinds of telephony business in most states. Viacom Cable is a general partner in three partnerships providing commercial competitive access services which link business customers to long distance carriers via private networks owned by the cable television company partners and leased to the partnerships. If the pending legislation does not become law, and the various appeals courts uphold the unconstitutionality of the Communications Act's restrictions on telco video programming, the telcos have stated their intent to immediately enter the video programming business.

COMPULSORY COPYRIGHT. Cable television systems are subject to the Copyright Act of 1976 which provides a compulsory license for carriage of distant broadcast signals at prescribed rates. No license fee is charged by the copyright holder for retransmission of broadcast signals which are "local" to the communities served by the cable system. The FCC has recommended to Congress that it eliminate the compulsory license for retransmission of both distant and local signals, requiring instead that approval be received from the copyright holders for retransmission. If the compulsory license is repealed, Viacom Cable could incur additional costs for its carriage of programming of certain broadcast stations and if some broadcast stations are not carried, customer satisfaction with cable service may be adversely affected until satisfactory replacement programming is obtained.

Pending legislation in the 103rd Congress includes a bill (H.R.759) to affirm the application of the compulsory license to MMDS and other alternative video transmission technologies; a bill (H.R.1103) to eliminate the sunset provision of the Satellite Home Viewer Act and continue the application of the compulsory license to satellite carriers that transmit to home dish owners; and a bill (H.R.12) to provide for payment by television broadcasters to program producers where a broadcaster exercises its Retransmission Consent rights enacted in the 1992 Cable Act and thereby obtains payment from a cable operator for retransmission of the broadcaster's signal.

#### State and Local Regulation.

State and local regulation of cable is exercised primarily through the franchising process under which a company enters into a franchise agreement with the appropriate franchising authority and agrees to abide by applicable ordinances. The 1992 Cable Act permits the FCC to

broaden the regulatory powers of the franchising authorities, particularly in the areas of rate regulation and customer service standards. (See "BUSINESS --- Regulation -- Viacom Cable -- Federal Regulation")

Under the 1984 Act, franchising authorities may control only cable-related equipment and facilities requirements and may not require the carriage of specific program services. However, if the Must Carry provisions of the 1992 Cable Act are upheld by the Supreme Court, federal law (as implemented by FCC regulations) will mandate the carriage of both commercial and non-commercial television broadcast stations "local" to the area in which a cable system is located. (See "BUSINESS -- Regulation -- Viacom Cable -- Federal Regulation")

The 1984 Act, as amended, guarantees cable operators due process rights in franchise renewal proceedings and provides that franchises will be renewed unless the cable operator fails to meet one or more enumerated statutory criteria. The Company's current franchises expire on various dates through 2017. During the five-year period 1994 through 1998, franchises having an aggregate of approximately 230,081 customers (as of October 31, 1993) will expire unless renewed. The Company expects its franchises to be renewed.

#### VIACOM NETWORKS

1992 CABLE ACT. See "BUSINESS -- Regulation -- Viacom Cable -- Federal Regulation -- 1992 Cable Act".

MODIFICATION OF FINAL JUDGMENT. 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 RHCs were formed (including NYNEX) comprised of operating companies within their regions (the BOCs). In addition, that portion of 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 Inc., the Company could arguably be considered an affiliate of an RHC for MFJ purposes. As a result, the Company transferred certain of Viacom Networks' and other operations and properties to an affiliated entity which will be consolidated into the Company for financial reporting purposes. Neither the transfer nor the operations of the affiliate as an entity separate from the Company will have a material effect on the financial condition or the results of operations of the Company. However, should the MFJ restrictions be modified or waived, the Company 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.

#### VIACOM BROADCASTING

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

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

BROADCAST LICENSES. Broadcast station licenses (both television and radio) are ordinarily granted for the maximum allowable period of five years in the case of television and seven years in the case of radio, and are renewable for additional five-year or seven-year periods upon application and approval. Such licenses may be revoked by the FCC for serious violations of its regulations. Petitions to deny renewal of a license or competing applications may be filed for the frequency used by a renewal applicant. If a petition to deny is filed, the FCC will determine whether renewal is in the public interest based upon presentations made by the licensee and the petitioner. If a competing application is filed, a comparative hearing is held to determine which applicant should be granted the license. In the absence of egregious and willful violations of FCC rules, license holders, as a practical matter, can generally expect renewal by the FCC.

The licenses for the Company's television stations expire as follows: WVIT-TV on April 1, 1994; each of WNYT-TV and WHEC-TV on June 1, 1994; KSLA-TV on June 1, 1997; and KMOV-TV on February 1, 1998. The Company's licenses for its radio stations expire as follows: WMZQ-AM-FM, WCPT-AM and WCXR-FM on October 1, 1995; WLTJ-FM on October 1, 1996; WLIT-FM on December 1, 1996; KSRI-FM and KSRV-FM on August 1, 1997; KYSR-FM and KXEZ-FM on December 1, 1997; each of KBSG-AM-FM and KNDD-FM on February 1, 1998; and WLTW-FM on June 1, 1998. The Company has applied for renewal of and expects that the licenses which expire in 1994 will be renewed.

The Communications Act prohibits the assignment of a license or the transfer of control of a license without prior approval of the FCC. The Communications Act also provides that no license may be held by a corporation if (1) any officer or director is an alien, or (2) more than 20% of the voting stock is owned of record or voted by aliens or is subject to control by aliens. In addition, no corporation may hold the voting stock of another corporation owning broadcast licenses if any of the officers or directors of such parent corporation are aliens or more than 25% of the voting stock of such parent corporation is owned of record or voted by aliens or is subject to control by aliens, unless specific FCC authorization is obtained.

MUST CARRY/RETRANSMISSION CONSENT. The 1992 Cable Act contains provisions which grant certain Must Carry rights to commercial broadcast television stations that are "local" to communities served by a cable system, including the right to elect either to require a cable operator to carry the station pursuant to the Must Carry provisions of the Act or to require that the cable operator secure the station's Retransmission Consent on a negotiated basis before the station can be carried (i.e., retransmitted) on the cable system. Each of the

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Company's television stations elected in 1993 to negotiate with their

local cable systems for the systems' right to retransmit the station's signal. All such negotiations were successfully completed assuring continued carriage of each station on all of their local cable systems at least through December 1996. The Must Carry Rules were challenged by cable program services and cable system operators. In April 1993, a District of Columbia three judge court upheld the rules against a facial First Amendment attack. The U.S. Supreme Court accepted review; oral argument was heard in January 1994 and a decision is expected by July 1994. If the Must Carry Rules are determined to be unconstitutional, the Company's television stations do not expect to be materially affected since they expect to continue to obtain carriage pursuant to Retransmission Consent negotiations. If a station is not carried by a cable system in its area, that station could experience a decline in revenues. The Company's television stations have traditionally been carried prior to the institution of Retransmission Consent and in the absence of Must Carry. (See "BUSINESS -- Regulation - -- Viacom Cable Television -- Must Carry/Retransmission Consent and Compulsory Copyright")

**RESTRICTIONS ON BROADCAST ADVERTISING.** In past Congressional sessions, committees of Congress examined proposals for legislation that would eliminate or severely restrict advertising of beer and wine either through direct restrictions on content or through elimination or reduction of the deductibility of expenses for such advertising under federal tax laws. Such proposals generated substantial opposition, but it is possible that similar proposals will be reintroduced in Congress. The elimination of all beer and wine advertising would have an adverse effect on the revenues of the Company's television and radio stations.

Congress may again take up Campaign Finance Reform legislation similar to that which was passed by the 102nd Congress but vetoed by President Bush. Such legislation could reduce revenues of the Company's television and radio stations derived from political advertising by candidates for certain public offices.

On April 9, 1991, the FCC adopted regulations to implement the Children's Television Act of 1990 (the "Children's Television Act") which limit the amount of advertising in children's programming, including a prohibition on children's programming which contains characters that are based on products advertised on such programs. The FCC will take into account the efforts made by broadcasters to meet the educational and informational needs of children as part of assessing the broadcaster's record of performance in the public interest before granting renewal of broadcast licenses. The impact, if any, of these regulations on the Company's television stations is not material. The FCC has instituted an inquiry into the manner in which TV stations have been complying with the Children's Television Act. Additionally, the FCC is considering whether to impose limits on the amount of advertising time which a television station can sell during any broadcast hour or part thereof.

**OWNERSHIP LIMITATIONS.** The FCC has placed limits on the number of radio and television stations in which one entity can own an "attributable interest". The Company currently owns radio stations below those ownership limits and, with the transfer of control of licenses held by Paramount, owns the maximum permitted number of



television stations. The FCC has adopted a number of rules designed to prevent monopoly or undue concentration of control of the media of mass communications. In 1992 the FCC amended its regulations to permit a single entity to have an "attributable" ownership or management interest in up to 18 AM and 18 FM stations nationwide (20 AM and 20 FM beginning in 1994), including multiple AM and/or FM stations licensed to serve the same market. Minority-controlled broadcasters can own an additional three AM and three FM stations. The limit on the number of such multiple stations in a particular market which a single entity may own or control depends upon the total number of AM and/or FM stations in that market, provided that, at the time of purchase, the combined audience share of such multiple stations does not exceed 25%. With respect to television, the FCC's rules limit the maximum number of stations nationwide in which one entity can have an "attributable" ownership or management interest, to that number which serves up to 25% of U.S. television households, provided, however, that (except in limited circumstances) the total number of stations will not exceed 12. Unlike certain of the new radio rules, there is now no allowance for ownership of multiple television stations licensed to serve the same market, although the FCC is examining the issue. The FCC also permits radio stations to broker the programming and sales inventories of their stations to other radio stations within the same area, subject to various restrictions, so long as ultimate operational control and ownership is retained and exercised by the licensee. Such brokerage agreements function, as a practical matter, to effect a consolidation of competitive radio broadcast stations within a market in much the same manner as multiple ownership of radio facilities by one entity. Similar brokerage agreements among television stations are being implemented in a smaller number of markets than in radio and are not now subject to any explicit FCC regulations.

The FCC's ownership limitations also prohibit a single entity from owning multiple "same service" (e.g., TV, AM or FM) stations licensed

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to serve different markets if the broadcast signals of such stations overlap, to a specified measurable degree. The maximum number of commonly owned stations serving neighboring markets whose signals can overlap is the same as that maximum number of commonly owned stations which an entity can own or control in a single market. Additional ownership prohibitions preclude common ownership in the same market of (i) television stations and cable systems; (ii) television or radio stations and newspapers of general circulation; and (iii) radio and television stations. Radio-television cross-ownership prohibitions are subject to waiver by the FCC on a case-by-case basis. The Company operates two AM and two FM stations as well as a television station serving Washington, D.C. Ownership of the television station (WDCA) was obtained when Viacom Inc. acquired majority ownership of Paramount on March 11, 1994. Pursuant to the FCC's order consenting to the transfer of control of the broadcast licenses of Paramount to the Company, the Company has undertaken to dispose of one AM and one FM radio station serving Washington, D.C. no later than September 11, 1995. The FCC's previous prohibition on a national television network's (ABC, CBS, and NBC) owning or operating cable systems has been repealed but with certain limits as to the number of homes which network-owned cable systems can pass on a national and local basis.

TERRITORIAL EXCLUSIVITY. The FCC is considering changes to its

non-network program territorial exclusivity rules which provide that a broadcaster, with certain limited exceptions, cannot obtain exclusivity to syndicated programming as against other broadcast stations beyond a 35-mile radius from its city of license. The proposed rule would permit expansion of the 35-mile exclusivity area thereby increasing the protection given the programming contracted for by a broadcaster. The Company cannot predict the effect, if any, that any change of this rule may have on its broadcast operations.

HDTV. The FCC is considering technical standards to be adopted for the transmission of high definition television ("HDTV"), an advanced television system which enhances picture and sound quality, as well as the methods and timetable for implementation of an HDTV transmission standard by broadcasters. A standard has been recommended to the FCC by an advisory committee. The standard which is ultimately adopted for HDTV transmissions and the manner in which that transmission standard will be implemented and the development of technologies such as "digital compression" will have an economic and competitive impact on broadcasting and cable operations. The Company cannot predict the effect of implementation of these technologies on its operations. The FCC has stated its intention not to disadvantage broadcasters and it is expected that any HDTV standard which is ultimately adopted will be fashioned so as to accommodate the needs of broadcasters vis-a-vis competitive video delivery technologies. The FCC has already determined that TV stations will be given up to six years to implement HDTV once a standard has been selected and that stations which do not convert to the HDTV standard will lose their licenses to broadcast at the end of a proposed 15-year period from adoption of the standard. The cost of converting to HDTV will not have a material effect on the Company.

#### COMPETITION

##### VIACOM NETWORKS

MTVN COMPETITION. MTVN services are in competition for available channel space on existing cable systems and for fees from cable operators and alternative media distributors, with other cable program services, and nationally distributed and local independent television stations. MTVN also competes for advertising revenue with other cable and broadcast television programmers, and radio and print media. For basic cable television programmers, such as MTVN, advertising revenues derived by each programming service depend on the number of households subscribing to the service through local cable operators and other distributors. A number of record companies have announced plans to launch music-based program services in the U.S. and internationally. For example, Tele-Communications, Inc. and Bertelsmann 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 worldwide music video program service with such other major record companies as EMI Music, a unit of Thorn EMI PLC, and PolyGram.

As of December 31, 1993, there were 32 principal cable program

services and superstations under contract with A.C. Nielsen Company, including MTV, VH-1, NICKELODEON (including NICKELODEON and NICK AT NITE program segments), each with over 10,000,000 subscribers. The Nielsen Report ranked NICKELODEON/NICK AT NITE seventh, MTV eleventh, and VH-1 sixteenth, in terms of subscriber households.

MTV EUROPE is engaged in a number of related litigations in Europe contesting the legality of certain joint licensing activities by the major worldwide record companies. In 1992, MTV EUROPE initiated a proceeding before the European Commission, seeking the dissolution, under Articles 85 and 86 of the Treaty of Rome, of the record companies' joint licensing organizations -- Video Performance Limited (VPL) and International Federation of Phonogram and Videogram Producers (IFPI) -- through which the record companies exclusively license rights to exhibit music video clips on television in Europe and elsewhere. The EC issued a preliminary letter in 1993 stating its non-binding opinion that the arrangements constituted an unlawful restriction of trade under Article 85, and reserved its right to address abuse of monopoly power under Article 86. MTVN has been informed that the EC has issued a Statement of Objections, which commences formal legal proceedings against VPL and IFPI, and their major record company members. MTV EUROPE has been licensed to continue to exhibit music video clips during the EC proceeding under an EC-assisted interim agreement with VPL and IFPI, which expires in July 1994.

In December 1993, MTV EUROPE commenced a separate proceeding before the European Commission, challenging the operation of VIVA, a German language music service owned by four of the five major record companies, as another example of illegal cartel activity.

In a separate U.K. high court action, MTV EUROPE is seeking reimbursement of license fees paid to VPL and IFPI, on the grounds that these fees were unlawfully extracted by the record companies' cartel organizations.

**SNI COMPETITION.** The principal means of competition in the provision of premium subscription television program services are: (1) the acquisition and packaging of an adequate number of quality recently released motion pictures; and (2) the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors so as to favorably position and package SNI's premium subscription television program services to subscribers. HBO is the dominant company in the premium subscription television category, offering two premium subscription television program services, the HBO service and Cinemax. SNI is second to HBO with a significantly smaller share of the premium subscription television category. In addition, in February 1994, Encore Media Corp. (an affiliate of Liberty Media Corporation and Tele-Communications, Inc.) launched Starz!, a premium subscription television program service that will exhibit recently released motion pictures. The Company believes that Starz! will directly compete with SNI's premium program services.

On November 9, 1993, the Company filed an amended complaint in its antitrust suit against Tele-Communications, Inc., Liberty Media Corporation, Satellite Services, Inc., Encore Media Corp., Netlink USA, Comcast Corporation and QVC Network, Inc., which action is pending in

the Southern District of New York. (See "Item 3 - Legal Proceedings")

#### VIACOM ENTERTAINMENT

Distribution and production of programming for television is a highly competitive business. The Company competes directly with other distributors and producers including major motion picture studios and other companies which produce and/or distribute programs and films. The main competitive factors in the television program distribution business are the availability and quality of product, promotion and marketing, and access to licensees of product. Major studios and distributors with a history of successful programming are better positioned to acquire and/or produce and distribute quality product. These studios and distributors also have greater available resources for promotion and marketing. Brand name identification is an advantage to a distributor in promoting and marketing programs for domestic and first run exhibition. The decline in the demand by licensees for recent off-network series and series produced for first run exhibition (due to renewal of existing series by stations during the past year) and feature films (due primarily to the recent expansion of the Fox network to supply programming to its affiliated stations seven nights a week) has been partly offset by a resurgence in demand by stations for first run hours and an increasing number of programming outlets, particularly cable networks. Distributors are advantageously positioned to obtain clearances from stations they also own. This advantage increases with an increase in the number of stations so owned, the size of the markets served by those stations and the viewership of those stations. Since the successful launch of a program for first run exhibition generally requires securing licenses in New York, Los Angeles and Chicago, distributors owning stations serving these markets are at the greatest advantage among distributors owning stations.

Distribution of programming for television in international markets is also a highly competitive business. The Company competes in such markets with both U.S. and non-U.S. producers and distributors. Deregulation by certain foreign countries has given rise to new broadcast stations and cable services which, along with technological advances such as DBS, are continuing to increase the number of potential international customers. However, as a result of a political directive adopted by the European Community in 1989, which became effective in October 1991, most European Community countries have adopted broadcast quota regulations based on the guidelines of the directive. Such broadcast quota regulations may adversely affect the amount of U.S. produced programming to be purchased by foreign customers. (See "BUSINESS -- Regulation -- Viacom Entertainment -- European Community Directive")

Program production for network television, which is a source of product for the Company's distribution operations, and program production for first run exhibition on cable and other media are highly competitive businesses. The Company competes with the major studios and other production companies. A company with a program airing on a network, which program the network deems commercially successful, is at an advantage in getting that network and, to a lesser extent, other

networks, to license additional programs. (See "BUSINESS -- Viacom Entertainment -- Viacom Productions")

Subsequent to December 31, 1993, Viacom Inc. acquired Paramount, which is a significantly larger distributor and producer of television programming. It is anticipated that this acquisition and the combination of the Company's television distribution and production businesses with those of Paramount will significantly enhance the Company's competitive position in these businesses.

#### VIACOM NEW MEDIA

The emerging market for interactive multimedia software is highly competitive and rapidly evolving. Major competitors include hardware manufacturers who also manufacture and publish cartridge video games, software publishers, and interactive software publishing divisions that have been established by diversified entertainment companies similar to the Company.

#### VIACOM CABLE TELEVISION

The Company's cable systems operate pursuant to non-exclusive franchises granted by local governing authorities (either municipal or county) and primarily compete with over-the-air broadcast television. Cable systems also compete with other distribution systems which deliver programming by microwave transmission ("MDS" and "MMDS") and satellite transmission to master antennas ("SMATV") or directly to subscribers via either "TVRO" or "DBS" technology. A new type of distribution system called Multichannel Local Distribution Service ("MLDS"), which is similar to but more advanced than MMDS due to greater channel capacity, could also become competitive with cable. In 1991, the FCC concluded a proceeding aimed at eliminating a number of technological and regulatory limitations applicable to, and thereby supporting the potential growth of, MMDS and SMATV as competitive video delivery technologies. Certain DBS distribution systems are expected to commence their services in the near future, including United States Satellite Broadcasting, Inc., with which the Company has distribution agreements for each of the Company's wholly owned basic cable and premium networks, and Hughes DirecTV. The development of these other distribution systems could in the future result in substantial competition for the Company's cable systems, depending upon the marketing plans and programming provided. However, a developing technology called "digital compression" may allow cable systems to significantly increase the number of channels of programming they deliver and thereby help cable systems meet competition from these other distribution systems.

The acquisition of new franchises has slowed as an increasingly limited number of franchises and systems are left to be developed. The resulting reduced rate of construction may affect the cable industry's ability to sustain its historical subscriber growth rate. However, cable operators have increasingly sought to expand their subscriber bases through the acquisition of contiguous systems, which provide increased operating efficiencies. The Company's plan to expand in the cable business includes supplying additional services to its customers,

increasing primary and premium subscriber penetrations, developing existing franchise areas and, to a lesser degree, reviewing possible acquisitions of existing systems, principally contiguous systems, directly or through participation with others in partnerships or joint ventures.

Since the Company's cable television systems are franchised on a non-exclusive basis, other cable operators have been franchised and may continue to apply for franchises in certain areas served by the Company's cable systems. In addition, the 1992 Cable Act prohibits a franchiser from granting exclusive franchises and from unreasonably refusing to reward additional competitive franchises. In 1986, the U.S. Supreme Court held that cable system operations implicate First Amendment rights and that local franchising authorities may violate those rights by establishing franchise requirements, unless there is a legitimate government purpose. Since this decision, various federal district and appellate courts have issued contradictory opinions with respect to the enforceability of specific franchise requirements. Depending on the resolution of these cases, competitive entry by other operators into Viacom Cable's franchise areas and Viacom Cable's entry into other franchise areas could be more easily achieved.

The entry of telephone companies into the cable television business may adversely affect Viacom Cable. The FCC's Video Dial Tone regulations (See "BUSINESS -- Regulation -- Viacom Cable Television -- Competition with Telephone Companies") are an indication of the FCC's willingness to narrow the cross-ownership prohibitions contained in the Communications Act to the extent that it can do so consistent with its interpretation of the Act.

#### VIACOM BROADCASTING

The principal methods of competition in the television and radio broadcasting field are the development of audience interest through programming and promotions. Television and radio stations also compete for advertising revenues with other stations in their respective coverage areas and with all other advertising media. They also compete with various other forms of leisure time activities, such as cable television systems and audio players and video recorders. These competing services, which may provide improved signal reception and offer an increased home entertainment selection, have been in a period of rapid development and expansion. Technological advances and regulatory policies will have an impact, upon the future competitive broadcasting environment. In particular, recent FCC liberalization of its radio station ownership limits will allow for increased group ownership of stations. However, the Company is unable to predict what impact these rule changes will have on its businesses in their markets. (See "BUSINESS -- Regulation -- Viacom Broadcasting -- Ownership Limitations")

DBS satellite distribution of programs is expected to commence in 1994. Additionally, the FCC has issued rules which may significantly increase the number of multipoint distribution service stations (i.e., video services distributed on microwave frequencies which can only be received by special microwave antennas). The FCC has also authorized

video uses of certain frequencies which have not traditionally been used or permitted for commercial video services and has issued rules which will increase the number of FM and AM stations. The FCC is also considering authorizing digital audio broadcasts ("DAB"), which could ultimately permit increased radio competition by satellite delivery of audio stations directly to the home (or to cars) and result in an increased spectrum being used for digital delivery of radio signals, and it has authorized and is in the process of licensing low power television stations ("LPTV stations") that may serve various communities with coverage areas smaller than those served by full conventional television stations. Because of their coverage limitations, LPTV stations may be allocated to communities which cannot accommodate a full power television station because of technical requirements.

## ITEM 2. PROPERTIES.

The Company maintains its worldwide headquarters at 1515 Broadway, New York, New York, where it rents approximately 720,000 square feet for executive offices, including MTVN. The Company also rents approximately 24,000 square feet at the same location for WLTW-FM and Viacom Broadcasting headquarters. The lease runs to 2010, with four renewal options for five years each. The lease also grants the Company options for additional space at the then fair market value, including sufficient space for SNI and Paramount headquarters staff, and a right of first negotiation for other available space in the building.

The Company also leases approximately 106,000 square feet at 1775 Broadway, New York, New York. The lease expires in 1998. In 1992, the Company sublet approximately 53,000 square feet of such space to COMEDY CENTRAL.

The Company also operates a data processing facility in Rutherford, New Jersey and owns a 30,000 square foot building at 140 West 43rd Street, New York, New York, which supports office and conferencing requirements.

Viacom MGS Services leases approximately 25,000 square feet at 619 West 54th Street, New York, New York.

During 1993, the Company leased premises in California, Ohio, Oregon, Tennessee and Washington, the locations of Viacom Cable's operations. Viacom Cable's operations require a large investment in physical assets consisting primarily of receiving apparatus, trunk lines, feeder cable and drop lines connecting the distribution network to the premises of the customers, electronic amplification and distribution equipment, converters located in customers' homes and other components. Significant expenditures are also required for replacement of and additions to such system assets as a result of technological advances, ordinary wear and tear and regulatory standards. Approximately 47% of the Company's cable television systems' fixed assets have been installed within the past five years and, except for ordinary wear and tear, the Company believes that this equipment is in good condition.

In addition to its leased space at 1515 Broadway, Viacom Broadcasting owns office and studio space in Hartford, Connecticut, occupied by television station WVIT-TV; in Menands, New York, occupied by television station WNYT-TV; in Shreveport, Louisiana, occupied by television station KSLA-TV; and in Rochester, New York, occupied by television station WHEC-TV. Television station KMOV-TV, St. Louis, Missouri, leases office and studio space for a term expiring December 31, 2002.

WLIT-FM, Chicago, Illinois, leases office and studio space for a term expiring in April 2002. WLTJ-FM, Detroit, Michigan, leases office and studio space for a term expiring in August 2002. WMZQ-FM, Washington, D.C., leases office and studio space for a term expiring in December 1998. WMZQ-AM, Arlington, Virginia, leases office and studio space for a term expiring in August 2014. WCPT-AM and WCXR-FM lease office and studio space in Alexandria, Virginia for a term expiring in November 2001. KBSG-AM/FM, Tacoma/Seattle, Washington, lease office and studio space for a term expiring in August 1999. KYSR-FM, and KXEZ-FM, Los Angeles, California, lease office and studio space for a term expiring in October 1999. KSRY-FM, San Francisco, California, leases office and studio space for a term expiring in March 1997. KSRI-FM, Santa Cruz, California, leases office and studio space for a term expiring in July 1995. KNDD-FM, Seattle, Washington, leases office and studio space for a term expiring in February 2001.

Viacom Broadcasting owns the broadcasting antenna equipment of its radio and television stations and the main transmission and antenna sites used by its five television stations and radio stations WMZQ-FM, WCPT-AM, KYSR-FM and KNDD-FM. The other radio stations, WLTW-FM, WLIT-FM, WLTJ-FM, WCXR-FM, WMZQ-AM, KBSG-AM, KBSG-FM, KSRY-FM, KSRI-FM and KXEZ-FM lease their transmission and antenna sites. The leases expire in August 2005, September 2002, December 1995, February 2000, August 2014, February 2000, December 1997, February 2000, May 1999, and November 2000, respectively.

MTVN, by agreement with MCA, leases approximately 75,000 square feet of studio and office space for NICKELODEON STUDIOS FLORIDA, which agreement expires (with extensions at MCA's option) in 2003. MTVN leases approximately 58,600 square feet of other office facilities and studios (i.e., excluding 1515 Broadway, 1775 Broadway, NICKELODEON

STUDIOS, Orlando and Universal City, Los Angeles).

MTVN also owns the Network Operations Center in Smithtown, New York at which it assembles and uplinks its programming signals. The center consists of a 15,000 square foot building housing television and satellite transmission equipment.

In March 1993, a subsidiary of the Company entered into an agreement to purchase approximately 50,000 square feet of office and studio space in London, England. The Company leases the space to MTV EUROPE.

SNI's executive offices are located at 1633 Broadway, New York, New York, where it rents approximately 106,000 square feet. SNI leases approximately 58,000 square feet of other office facilities (i.e.,

excluding 1633 Broadway, 1775 Broadway and Universal City, Los



Angeles).

For a description of the transponders employed by MTVN and SNI, see "BUSINESS -- Viacom Networks -- Additional Information about MTVN and SNI."

Other than Brazil, where the office facility is owned, most of the domestic and international television program and feature film sales offices are held under leases aggregating approximately 9,000 square feet. Also, the Company maintains approximately 83,000 square feet of consolidated offices in Universal City, Los Angeles for Viacom Entertainment, MTVN and SNI.

The Company also maintains a tape storage and operations service center of approximately 22,500 square feet for Viacom Networks and Viacom Enterprises in New York, New York.

The Company believes that all of its facilities are adequate for the activities conducted at such facilities. However, the Company anticipates that it will lease or purchase additional office space both in the New York area as well as in other areas where the Company and its subsidiaries are presently located.

Information with respect to Paramount in response to Item 2 is incorporated by reference herein from the Paramount Reports. Information in the Paramount Reports is given as of the date of each such report and is not updated herein.

### ITEM 3. LEGAL PROCEEDINGS.

#### Stockholder Litigation.

Seven putative class action complaints were filed by alleged Blockbuster stockholders in the Delaware Court of Chancery against Blockbuster, the members of its Board of Directors, Viacom Inc. and Sumner M. Redstone. By Order dated January 31, 1994, the seven actions were consolidated under the caption In re Blockbuster Entertainment Corp. Shareholders' Litigation, Consolidated Civil Action No. 13319. On February 18, 1994, plaintiffs filed the Consolidated and Amended Class Action Complaint (the "Complaint"). The Complaint generally alleges that Blockbuster's directors have violated their fiduciary duties of loyalty and fair dealing by allegedly failing to ensure the maximization of stockholder value in the sale of control of Blockbuster, including the alleged failure to authorize and direct that a process designed to secure the best value available for Blockbuster stockholders be undertaken, and by implementing measures such as the Subscription Agreement which allegedly were designed solely to thwart or impede other competing transactions. Among other things, the plaintiffs seek to (i) preliminarily and permanently enjoin the purchase by Blockbuster of shares of Viacom Class B Common Stock pursuant to the Subscription Agreement (see next paragraph); (ii) preliminarily and permanently enjoin the Blockbuster Merger or any anti-takeover devices designed to facilitate the Blockbuster Merger; (iii) require the Blockbuster directors to maximize stockholder value by exploring third party interest; and/or (iv) recover damages from the

Blockbuster directors for their alleged breaches of fiduciary duty. The defendants believe that plaintiffs' allegations are without merit and intend to defend themselves vigorously.

On February 28, 1994, plaintiffs filed motions in the Delaware Chancery Court seeking expedited discovery, a temporary restraining order enjoining consummation of the Subscription Agreement and the scheduling of a preliminary injunction hearing. On March 1, 1994, Vice Chancellor Carolyn Berger issued an order denying plaintiffs' motions. Following issuance of the above-described order, plaintiffs filed a Motion for Clarification or, in the alternative, for Certification on Interlocutory Appeal, requesting that the Chancery Court clarify whether its order also refers to a hearing for a preliminary injunction. Plaintiffs requested that, if the order is limited to a hearing for a temporary restraining order, the Chancery Court schedule a hearing on plaintiffs' motion for a preliminary injunction. On March 2, 1994, plaintiffs informed the Chancery Court that they had decided not to seek an interlocutory appeal and indicated their understanding that the order precluded preliminary injunctive relief as to the Subscription Agreement.

On March 7, 1994, the plaintiffs filed a motion for a preliminary injunction, seeking an order preliminarily enjoining the defendants from (i) taking any steps to effectuate or enforce the Blockbuster Merger Agreement, the Subscription Agreement and the Stockholders Stock Option Agreement; (ii) making any payment to Viacom of its fees and expenses pursuant to Section 8.05(b) of the Blockbuster Merger Agreement; and (iii) entering into any competing transaction with a party other than Viacom, which transaction includes a stock component unless adequate price protection for the stockholders of Blockbuster is provided. Plaintiffs have also moved for an injunction requiring the Blockbuster defendants to investigate all bona fide offers to acquire Blockbuster and to provide such bona fide offerors access to information concerning Blockbuster in order to facilitate such offers. No schedule has been set for a hearing on the motion.

On March 10, 1994, Defendant Sumner Redstone filed a motion to dismiss the Complaint as to him, on the grounds of lack of personal jurisdiction, insufficiency of process, and insufficiency of service of process. Also, on March 10, 1994, defendant Viacom filed a motion to dismiss the Complaint as to itself, for failure to state a claim against Viacom upon which relief can be granted. No schedule has been set for a hearing on these motions.

#### Antitrust Matters

On September 23, 1993, the Company 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 Media Corporation, Satellite Services, Inc. ("SSI"), Encore Media Corp., Netlink USA, and QVC Network, Inc. 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, the Company seeks injunctive relief against defendants' anticompetitive conduct and damages in an amount to be determined at trial, including trebled damages and attorneys' fees under the Sherman and Clayton Acts and damages resulting from QVC Network, Inc.'s proposed acquisition of Paramount Communications Inc.

The 19 claims for relief in the complaint are based on allegations that defendants 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 and attempted to force SNI to enter into a merger with a TCI-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, the Company 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. Each of the defendants has answered and has generally denied the material allegations of the Company's amended complaint. Following the filing of its amended complaint, the Company has agreed to voluntarily dismiss certain of its breach of contract claims against TCI and SSI.

Viacom Cable, through a subsidiary of the Company, was one of the original partners ("Original Partners") of Primestar Partners L.P. ("Primestar"). Primestar was launched in 1990 to deliver programming directly to dishes located at subscribers' homes from a mid-powered Ku-band satellite. The Company has withdrawn from Primestar by, among other things, exercising in November 1991 the Company's contractual right not to continue funding its share of Primestar's capital requirements. The Department of Justice ("DOJ") has conducted an inquiry into the structure and business of Primestar to ensure that the Original Partners did not engage in any concerted action prohibited by law. In addition, several state Attorneys General ("AGs") have reviewed the structure and business plan of Primestar as well as certain business practices of the Original Partners which reflect business practices in the cable industry, generally. The AGs' inquiry resulted in a final judgment entered into with the consent of the Original Partners in September of 1993. The DOJ has concluded its inquiry by submitting a similar consent judgment for judicial approval. Both judgments address (i) access by multichannel distributors competitive with cable to programming controlled by any of the Original Partners and (ii) the extent of programming which may be licensed exclusively by the cable operations of the Original Partners. The provisions of the AGs' decree expire in 1997 and 1999. If approved, as expected, the provisions of the DOJ decree will expire in 1999. The terms of the judgments do not materially affect the Company.

Information with respect to Paramount in response to Item 3 is

incorporated by reference herein from the Paramount Reports. Information in the Paramount Reports is given as of the date of each such report and is not updated herein.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not Applicable

EXECUTIVE OFFICERS OF VIACOM INC. AND THE COMPANY

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

NAME	AGE	POSITIONS WITH VIACOM INC. AND THE COMPANY
Sumner M. Redstone	70	Chairman of the Board of Viacom Inc. and the Company
Frank J. Biondi, Jr	49	President, Chief Executive Officer and Director of Viacom Inc. and the Company
Raymond A. Boyce	58	Senior Vice President, Corporate Relations of Viacom Inc. and the Company
Neil S. Braun	41	Senior Vice President of Viacom Inc. and the Company
Vaughn A. Clarke	40	Vice President, Treasurer of Viacom Inc. and the Company
Philippe P. Dauman	40	Executive Vice President, General Counsel, Chief Administrative Officer and Secretary and Director of Viacom Inc. and the Company
Earl H. Doppelt	40	Senior Vice President, Deputy General Counsel of Viacom Inc. and the Company
Thomas E. Dooley	37	Executive Vice President, Finance, Corporate Development and Communications of Viacom Inc. and the Company
Michael D. Fricklas	34	Senior Vice President, Deputy General Counsel of Viacom Inc. and the Company

John W. Goddard	52	Senior Vice President of Viacom Inc. and the Company; President, Chief Executive Officer of Viacom Cable
Edward D. Horowitz	46	Senior Vice President, Technology of Viacom Inc. and the Company; Chairman, Chief Executive Officer of New Media and Interactive Television
Kevin C. Lavan	41	Vice President, Controller and Chief Accounting Officer of Viacom Inc. and the Company
Henry J. Leingang	44	Senior Vice President, Chief Information Officer of Viacom Inc. and the Company
William A. Roskin	51	Senior Vice President, Human Resources and Administration of Viacom Inc. and the Company
George S. Smith, Jr.	45	Senior Vice President, Chief Financial Officer of Viacom Inc. and the Company
Mark M. Weinstein	51	Senior Vice President, Government Affairs of Viacom Inc. and the Company

None of the executive officers of Viacom Inc. or the Company is related to any other executive officer or director by blood, marriage or adoption except that Brent D. Redstone, a Director of Viacom Inc. and the Company, is the son of Sumner M. Redstone.

Mr. Redstone has been Chairman of the Board and a Director of the Company since the Merger. Mr. Redstone is also Chairman of the Board and a Director of Viacom Inc. Mr. Redstone has served as President, Chief Executive Officer of NAI since July 1967, and continues to serve in such capacity; he has also served as the Chairman of the Board of NAI since 1986. Mr. Redstone became a director of Paramount in March 1994. He served as the first Chairman of the Board of the National Association of Theater Owners, and is currently a member of the Executive Committee of that organization. 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. Since 1982, Mr. Redstone has been a member of the faculty of Boston University Law School, where he has lectured in entertainment law. In 1944, Mr. Redstone graduated

from Harvard University and, in 1947, received an L.L.B. from Harvard University School of Law. Upon graduation, he served as Law Secretary with the United States Court of Appeals, and then as a Special Assistant to the United States Attorney General.

Mr. Biondi has been President, Chief Executive Officer and a Director of Viacom Inc. and the Company since July 1987. He became a director of Paramount in March 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 HBO 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. Boyce has been an executive officer of Viacom Inc. and the Company since January 1988 when he was elected Senior Vice President, Corporate Relations of the Company. In April 1988, he was elected Senior Vice President, Corporate Relations of Viacom Inc. Mr. Boyce 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.

Mr. Braun has been an executive officer of Viacom Inc. and the Company since November 1987 when he was elected Senior Vice President of each. He served as Chairman, Chief Executive Officer of Viacom Entertainment from July 1992 to March 1994. Prior to that, Mr. Braun served as Senior Vice President, Corporate Development and Administration of Viacom Inc. and the Company from November 1987 to July 1992 and from October 1989 to July 1992, he also served as Chairman of Viacom Pictures. Mr. Braun served as President, Chief Operating Officer of Imagine Films Entertainment from May 1986 until he joined the Company. From 1982 until 1986, Mr. Braun held various positions at HBO including Senior Vice President, Film Programming of HBO and Executive Vice President of HBO Video, Inc.

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

Mr. Dauman has been a Director of Viacom Inc. and the Company since the Merger. In March 1994, he was elected Executive Vice President, General Counsel, Chief Administrative Officer and Secretary of Viacom Inc. and the Company. From February 1993 to March 1994, he served as Senior Vice President, General Counsel and Secretary of Viacom Inc. and the Company. Prior to that, Mr. Dauman was a partner in the law firm of Shearman & Sterling in New York, which he joined in 1978. Mr. Dauman became a Director of National Amusements, Inc. in 1992 and Paramount in March 1994.

Mr. Dooley has been an executive officer of the Company since

January 1987. In March 1994, he was elected Executive Vice President, Finance, Corporate Development and Communications of Viacom Inc. and the Company. From July 1992 to March 1994, Mr. Doolley served as Senior Vice President, Corporate Development of Viacom Inc. and the Company. From August 1993 to March 1994, he also served as President, Interactive Television. Prior to that, he served as Vice President, Treasurer of the Company and Viacom Inc. since 1987. In December 1990, he was named Vice President, Finance of Viacom Inc. and the Company. Mr. Doolley joined the Company in 1980 in the corporate finance area and has held various positions in the corporate and divisional finance areas, the most recent of which was Director of Business Analysis from 1985 to 1986.

Mr. Doppelt was elected Senior Vice President, Deputy General Counsel of Viacom Inc. and the Company in March 1994. Prior to that, he served as Senior Vice President of Paramount since 1992 and as Deputy General Counsel of Paramount since 1985. He joined Paramount in 1983 as Associate Litigation Counsel, and in 1985 was appointed Assistant Vice President and Deputy General Counsel. In 1986, he became a Vice President of Paramount. From 1977 to 1983, Mr. Doppelt was an attorney in private practice at the law firm of Paul, Weiss, Rifkind, Wharton & Garrison.

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

Mr. Goddard has been an executive officer of the Company since August 1980. In November 1987, Mr. Goddard was elected Senior Vice President of Viacom Inc. and in September 1983, Mr. Goddard was elected Senior Vice President of the Company and President, Chief Executive Officer of Viacom Cable and continues to serve in those capacities. In August 1980, Mr. Goddard was appointed President of Viacom Cable and, in September 1980, he was elected Vice President of the Company. 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 the Company.

Mr. Horowitz has been an executive officer of Viacom Inc. and the Company since April 1989. In March 1994, he was elected Senior Vice President, Technology of Viacom Inc. and the Company and Chairman, Chief Executive Officer of New Media and Interactive Television. Prior to that, he served as Senior Vice President of Viacom Inc. and the Company from April 1989 and as Chairman, Chief Executive Officer of Viacom Broadcasting from July 1992 to March 1994. From 1974 to April 1989, Mr. Horowitz held various positions with HBO, most recently as Senior Vice President, Technology and Operations. Mr. Horowitz held several other management positions with HBO, including Senior Vice President, Network Operations and New Business Development and Vice President, Affiliate Sales.

Mr. Lavan has been an executive officer of the Company since December 1987. In May 1989, he was elected Vice President of Viacom Inc. and the Company. In December 1990, he assumed the added responsibilities of oversight of Company tax matters. From 1991 to 1992, he also served as Senior Vice President and Chief Financial Officer of Viacom Pictures. Mr. Lavan joined Viacom in 1984 as Assistant Controller and, in December 1987, was elected Controller, Chief Accounting Officer of Viacom Inc. and the Company and he continues to serve in such capacities.

Mr. Leingang was elected Senior Vice President, Chief Information Officer in May 1993. Prior to that, he served as Vice President, Chief Information Officer upon joining Viacom in 1990. Mr. Leingang was Vice President, Information Services of the Train 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.

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

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

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



PART II

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

Viacom Inc. voting Class A Common Stock and Viacom Inc. non-voting Class B Common Stock are listed and traded on the American Stock Exchange ("ASE") under the symbols "VIA" and "VIAB," respectively. The following table sets forth, for the calendar period indicated, the per share range of high and low sales prices for Viacom Inc.'s Class A Common Stock and Class B Common Stock, as reported on the ASE Composite Tape by the National Quotation Bureau Incorporated. As of March 30, 1994 there were approximately 6,912 holders of Viacom Inc. Class A Common Stock, and 6,861 holders of Viacom Inc. Class B Common Stock.

	Viacom Class A Common Stock		Viacom Class B Common Stock	
	High	Low	High	Low
1992				
1st quarter	\$37 1/4	\$32 1/8	\$36 1/2	\$31 1/4
2nd quarter	38 1/2	32 3/8	36 7/8	30 1/2
3rd quarter	34 7/8	30 7/8	32 7/8	29
4th quarter	44	28 1/8	41 7/8	27
1993				
1st quarter	\$46 1/2	\$37 1/2	\$44 1/8	\$35 1/4
2nd quarter	52 5/8	37 1/8	49 1/2	36
3rd quarter	67 1/2	50 1/2	61 1/4	45 3/4
4th quarter	66 1/2	47	60 1/2	40 3/8

The parent, Viacom Inc., has substantially no source of funds other than dividends paid by the Company on its stock. Under the restrictions contained in the Credit Agreement, the Company is prohibited from (i) paying any dividends on its stock to Viacom Inc. for the purpose of enabling Viacom Inc. to pay any dividend on its common stock, or (ii) making any other dividend payments to Viacom Inc. (other than for certain limited specified purposes), unless its total leverage ratio is less than a specified amount.

Item 6. Selected Financial Data.

VIACOM INC. AND  
 VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
 (Thousands of dollars, except per share amounts)

	Year Ended December 31,				
	1993	1992	1991	1990	1989
Revenues	\$2,004,949	\$1,864,683	\$1,711,562	\$1,599,625	\$1,436,220
Earnings from operations	\$ 384,995	\$ 347,927	\$ 312,234	\$ 223,831	\$ 144,716
Earnings (loss) before extraordinary items and cumulative effect of change in accounting principle	\$ 169,481	\$ 66,085	\$ (46,556)	\$ (89,781)	\$ 131,080
Net earnings (loss)	\$ 170,952	\$ 48,965	\$ (49,657)	\$ (89,781)	\$ 131,080
Net earnings (loss) attributable to common stock	\$ 158,202	\$ 48,965	\$ (49,657)	\$ (89,781)	\$ 113,589
Net earnings (loss) per common share:					
Earnings (loss) before extraordinary items and cumulative effect of change in accounting principle	\$ 1.30	\$ .55	\$ (.41)	\$ (.84)	\$ 1.06
Net earnings (loss)	\$ 1.31	\$ .41	\$ (.44)	\$ (.84)	\$ 1.06
At year end:					
Total assets	\$6,416,868	\$4,317,094	\$4,188,378	\$4,027,927	\$3,752,962
Long-term debt	\$2,378,286	\$2,397,014	\$2,320,919	\$2,537,263	\$2,283,118
Shareholders' equity	\$2,718,114	\$ 756,511	\$ 699,493	\$ 366,163	\$ 455,944

See Notes to Consolidated Financial Statements for information on transactions and accounting classifications which have affected the comparability of the periods presented above. Viacom Inc. has not declared cash dividends for any of the periods presented above.

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

General

Management's discussion and analysis of the combined results of operations and financial condition of Viacom Inc. and the Company should be read in conjunction with the Consolidated Financial Statements and related Notes. Information presented below does not include information with respect to Paramount, which became a subsidiary of Viacom Inc. on March 11, 1994. Information with respect to Paramount's results of operations and financial condition and Paramount's audited and unaudited financial statements, in each case including the notes thereto, are incorporated by reference herein from the Paramount Reports (as defined in Item 1). Information in the Paramount Reports is given as of the date of each such report and is not updated herein. A copy of each of the Paramount Reports is included as an exhibit hereto. Descriptions of all documents incorporated by reference herein or included as exhibits hereto are qualified in their entirety by reference to the full text of such documents so incorporated or included.

Viacom Inc. (together with its consolidated subsidiaries, unless the context otherwise requires, "Viacom Inc.") is a holding company whose principal asset is the common stock of Viacom International Inc. (together with its consolidated subsidiaries, unless the context otherwise requires, the "Company"). The Company is a diversified entertainment and communications company with operations in four principal segments: Networks, Entertainment, Cable Television and Broadcasting. Viacom Inc. is an approximately 76.3% owned subsidiary of National Amusements, Inc. ("NAI"), a closely held corporation that owns and operates approximately 850 movie screens in the United States and the United Kingdom.

In early March 1994, Viacom Inc. acquired a majority interest in Paramount Communications Inc. ("Paramount") pursuant to the terms of its tender offer. Paramount will become a wholly owned subsidiary of Viacom Inc. upon the closing of the merger pursuant to the Paramount merger agreement. Viacom Inc. has also entered into a merger agreement with Blockbuster Entertainment Corporation ("Blockbuster") pursuant to which Blockbuster will merge into Viacom Inc. (See "Paramount Merger, Blockbuster Merger and Related Transactions" for additional information regarding the mergers).

The primary differences between Viacom Inc.'s and the Company's financial statements are as follows: a) the capitalization of the two companies -- the Company's shareholders' equity reflects the contribution to capital of Viacom Inc.'s exchangeable preferred stock, which was exchanged for 15.5% Junior Subordinated Exchange Debentures due 2006 (the "Exchange Debentures") on March 31, 1989 which in turn were fully redeemed during 1991; b) during 1993, Viacom Inc. issued \$1.8 billion of 5% cumulative convertible preferred stock and declared related preferred stock dividends of \$12.8 million, c) certain general and administrative expenses recorded by Viacom Inc. of \$5.0 million (1993), \$9.0 million (1992) and \$12.9 million (1991), which include transactions associated with the long-term deferred incentive compensation plans; and d) Viacom Inc. recorded net interest income of \$3.1 million (1993) and net interest expense of \$45.2 million (1991).

Business Segment Information

The following tables set forth revenues, earnings from operations, depreciation and amortization by business segment and a reconciliation of total earnings from operations to net earnings (loss) attributable to common stock for the periods indicated:

	Year Ended December 31,			Percentage Change	
	1993	1992	1991	From 1992 To 1993	From 1991 To 1992
	-----	-----	-----	-----	-----
(Thousands of Dollars)					
Revenues:					
Networks	\$1,221,200	\$1,058,831	\$ 922,157	15%	15%
Entertainment	209,110	248,335	273,488	(16)	(9)
Cable Television	415,953	411,087	378,026	1	9
Broadcasting	181,778	168,847	159,182	8	6
Intercompany elimination	(23,092)	(22,417)	(21,291)	(3)	(5)
Total revenues	\$2,004,949	\$1,864,683	\$1,711,562	8	9
Earnings from operations:					
Networks	\$ 272,087	\$ 205,576	\$ 172,296	32	19
Entertainment	32,480	59,662	73,214	(46)	(19)
Cable Television	110,176	122,037	103,954	(10)	17
Broadcasting	42,293	31,956	27,734	32	15
Corporate	(72,041)	(71,304)	(64,964)	(1)	(10)
Total earnings from operations	\$ 384,995	\$ 347,927	\$ 312,234	11	11
Depreciation and amortization:					
Networks	\$ 44,747	\$ 41,754	\$ 30,123		
Entertainment	9,549	6,792	7,160		
Cable Television	71,520	68,505	66,604		
Broadcasting	23,475	24,509	27,062		
Corporate	3,766	3,242	1,915		
Total depreciation and amortization	\$ 153,057	\$ 144,802	\$ 132,864		

Reconciliation to net earnings  
(loss) attributable  
to common stock:

Total earnings from operations	\$ 384,995	\$ 347,927	\$ 312,234
Interest expense, net	(144,953)	(194,104)	(297,451)
Other items, net	61,774	1,756	(6,536)
	-----	-----	-----
Earnings before income taxes	301,816	155,579	8,247
Provision for income taxes	129,815	84,848	42,060
Equity in loss of affiliated companies, net of tax	(2,520)	(4,646)	(12,743)
	-----	-----	-----
Earnings (loss) before extraordinary losses and cumulative effect of change in accounting principle	169,481	66,085	(46,556)
Extraordinary losses, net of tax	(8,867)	(17,120)	(3,101)
Cumulative effect of change in accounting principle	10,338	--	--
	-----	-----	-----
Net earnings (loss)	170,952	48,965	(49,657)
Cumulative convertible preferred stock dividend requirement of Viacom Inc.	12,750	--	--
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Net earnings (loss) attributable to common stock	\$ 158,202	\$ 48,965	\$ (49,657)
	=====	=====	=====

## Results of Operations

### 1993 vs. 1992

Revenues increased 8% to \$2.0 billion in 1993 from \$1.9 billion in 1992. Earnings from operations increased 11% to \$385.0 million in 1993 from \$347.9 million in 1992. Explanations of variances in revenues and earnings from operations for each operating segment follow.

Net earnings attributable to common stock of \$158.2 million, or \$1.31 per share, for the year ended December 31, 1993, reflect net interest expense of \$145.0 million, a pre-tax gain aggregating \$72.4 million from the sale of the Wisconsin cable television system and sales of a portion of an investment held at cost, and a provision for income taxes of \$129.8 million. Net earnings of \$49.0 million, or \$.41 per share, for the year ended December 31, 1992, reflect net interest expense of \$194.1 million and a provision for income taxes of \$84.8 million.

The comparability of results of operations for 1993 and 1992 has been affected by (1) the sale of the Wisconsin cable television system, effective January 1, 1993 and (2) the change in estimate of copyright royalty revenues during 1992 in the Entertainment segment. (See "Cable Television" and "Entertainment" for additional information concerning the changes noted above.)

#### Networks (Basic cable and premium television networks)

The constituents of Networks are MTV Networks ("MTVN") and Showtime Networks Inc. ("SNI"). Networks revenues increased 15% to \$1.221 billion in 1993 from \$1.059 billion in 1992. Networks earnings from operations increased 32% to \$272.1 million in 1993 from \$205.6 million in 1992.

MTVN revenues increased 27% to \$677.9 million in 1993 from \$533.4 million in 1992: 70% of the increase was attributable to increased advertising sales; 21% was due to increased affiliate fees; and 9% was due to other sources. The increases in advertising sales and affiliate fees were principally due to rate increases. The increase in other sources was principally due to revenues from new business ventures including licensing and merchandising. Earnings from operations of MTVN increased 39% to \$239.7 million in 1993 from \$172.9 million in 1992, reflecting the increased revenues, partially offset by increased programming and marketing expenses at each of the networks and other costs of operating the networks, including start up losses of MTV Latino and Nickelodeon Magazine aggregating \$6.5 million. The increased programming and marketing expenses at each of the networks (including animated programming on Nickelodeon and MTV) was to a large extent responsible for the Company's ability to increase advertising rates.

SNI revenues increased 3% to \$543.3 million in 1993 from \$525.7 million in 1992, including Viacom Pictures in each period presented, due to (i) an increase of \$13.6 million in revenues of Showtime Satellite Networks ("SSN"), primarily due to a 40% increase in SSN's subscriber base, principally attributable to the use of upgraded scrambling technology, partially offset by a decrease of 8% in average rates, (ii) an increase of \$4.4 million in revenues of Showtime and The Movie Channel (excluding revenues generated by SSN), reflecting a 3% increase in the combined subscriber base with a decrease in average rates of 2% and (iii) a \$.4 million decrease in other revenue sources. SNI's premium movie services, Showtime, The Movie Channel and FLIX, served approximately 11.9 million subscribers as of December 31, 1993 and 10.7 million subscribers as of December 31, 1992. SNI's overall earnings from operations decreased 1% to \$32.3 million in 1993 from \$32.7 million in 1992, reflecting increased programming and marketing expenses, partially offset by the increased revenues.

Entertainment (Television programming, syndication, production and new media)

The Entertainment segment distributes television series, feature films, made-for-television movies and mini-series for television exhibition around the world, produces television series and made-for-television movies, and also distributes television and radio commercials. The Entertainment segment also includes Viacom New Media, which develops, produces, distributes and markets interactive software.

Entertainment revenues decreased 16% to \$209.1 million in 1993 from \$248.3 million in 1992. The revenue variance was principally due to lower syndication revenues, lower copyright revenues resulting from a change in estimate which increased revenue by approximately \$10 million in 1992, and decreased network production revenues. Lower sales to the broadcast, cable and other markets reflect lower syndication revenues for The Cosby Show and softness in the syndication marketplace due to a decrease in the number of independent broadcast television stations because of new network affiliations. Revenues from the domestic broadcast syndication of The Cosby Show were approximately 12% and 18% of Entertainment revenues during 1993 and 1992, respectively. The decrease was due to the ending of the first domestic syndication cycle of The Cosby Show during the third quarter of 1993. The second domestic broadcast syndication cycle of The Cosby Show, which began in the third quarter of 1993, will generate significantly lower revenues. Network license fees were lower because fewer shows were produced for network television; however the decrease does not have a significant impact on Entertainment earnings from operations.

Earnings from operations decreased 46% to \$32.5 million in 1993 from \$59.7 million in 1992, reflecting the decreased revenues and \$6.1 million of start-up losses associated with Viacom New Media, which anticipates releasing approximately nine interactive video games based

on MTV Networks' programming by the end of 1994.

The Company had accumulated a backlog of unbilled syndication license agreements of approximately \$399.0 million at December 31, 1993. As the license fees are billed over the term of the various licensing contracts, the Company will recognize as revenues that portion of such license fees representing its distribution fees. Approximately 58% of the Company's backlog was attributable to license fees for Roseanne and The Cosby Show. As The Cosby Show becomes a smaller portion of the total backlog, the percentage of the total license fee recognized as revenue by the Company will be reduced.

#### Cable Television (Cable television systems)

Cable Television revenues increased 1% to \$416.0 million in 1993 from \$411.1 million in 1992. Earnings from operations decreased 10% to \$110.2 million in 1993 from \$122.0 million in 1992.

On a comparable basis with the 1992 results (excluding the Wisconsin cable system, which was sold effective January 1, 1993), Cable Television revenues increased 6% to \$416.0 million in 1993 from \$393.6 million in 1992: 52% of this increase resulted from increases in rates for basic services; 32% from increased basic customers; 8% from increased pay-per-view revenues; and 8% from increases in other revenue sources. Total revenue per basic customer per month increased 3% to \$32.03 in 1993 from \$31.04 in 1992. Earnings from operations decreased 6% to \$110.2 million in 1993 from \$117.6 million in 1992, reflecting increased operating expenses (which included non-recurring costs associated with the implementation of Federal Communication Commission ("FCC") rate regulations discussed below), partially offset by increased revenues.

The 1992 Cable Act amended the Communications Act of 1934, as amended (the "Communications Act"). 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 have not yet been published in their final form. The "benchmark" formula adopted as part of the regulations in April 1993 establishes an "initial permitted rate" which may be charged by cable operators for tiers of cable service. The regulations also establish the prices which may be charged for equipment used to receive these services. Because the text of the February 22nd Regulations has not been released, it is not possible to know the extent or nature of revisions to the April 1993 regulations. However, from public statements made during the FCC meeting and news releases issued thereafter, it appears that the February 22nd Regulations will contain a new formula for determining permitted rates. The new formula will require up to 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 the regulations, provided that the operator substantiates that its costs in providing services justify such rates.

Based on its implementation of the April 1993 rate regulations, the Company estimates that it will recognize a reduction to revenues 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 division. The Company'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 from a date to be announced by the FCC when it publishes precise regulations which implement the February 22nd Regulations. Until the February 22nd Regulations are released, it is not possible to predict the effects of the interim standards governing cost-of-service proceedings; however, based on the public statements, 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. The Company'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 may be restricted by the new regulations adopted as part of the February 22nd Regulations. No such mitigating factors are reflected in the estimated reductions to revenues. The stated reduction to revenues may be mitigated by higher customer growth due to lower basic rates.

The "must carry" provisions of the 1992 Cable Act are not material to the Company's results of operations.

As of December 31, 1993, the Company operated systems in California, Oregon, Washington, Ohio and Tennessee, serving approximately 1,094,000 basic customers subscribing to approximately 718,000 premium units. Basic customers and premium units decreased 2% and 9%, respectively, since December 31, 1992; and, excluding the Wisconsin cable system customers in 1992, basic customers and premium units increased 2% and decreased 5%, respectively.

As part of the settlement of the Time Warner antitrust lawsuit, the Company entered into an agreement to sell all the stock of Viacom Cablevision of Wisconsin, Inc. to Warner Communications Inc. ("Warner"), effective January 1, 1993. As consideration for the stock, Warner paid the sum of \$46 million, \$20 million of which was received during 1992, plus repayment of debt in the amount of \$49 million, resulting in a pre-tax gain of approximately \$55 million reflected in "Other items, net." As of December 31, 1992, the Wisconsin cable system served approximately 47,000 basic customers subscribing to approximately 34,000 premium units.

Broadcasting (Television and radio stations)

As of December 31, 1993, the Broadcasting segment operated five network-affiliated television stations and 14 radio stations. Broadcasting revenues increased 8% to \$181.8 million in 1993 from \$168.8 million in 1992. Earnings from operations increased 32% to \$42.3 million in 1993 from \$32.0 million in 1992.

Television revenues increased 4% to \$90.3 million in 1993 from \$87.1 million in 1992, reflecting an increase in national and local advertising revenues. Earnings from operations increased 20% to \$20.3 million in 1993 from \$16.9 million in 1992, primarily reflecting the increased revenues.

Television Stations:

STATION	LOCATION	AFFILIATION	MARKET	RANK (a)
KMOV-TV	St. Louis, MO	CBS	18	2
WVIT-TV	Hartford/New Haven, CT	NBC	25	3
WNYT-TV	Albany/Schenectady, NY	NBC	52	2
WHEC-TV	Rochester, NY	NBC	71	2
KSLA-TV	Shreveport, LA	CBS	74	1

(a) Source: Nielsen, November 1993.

Radio revenues increased 12% to \$91.4 million in 1993 from \$81.8 million in 1992, reflecting increased national and local advertising revenues. Earnings from operations increased 45% to \$26.6 million in 1993 from \$18.3 million in 1992, primarily reflecting the increased revenues, partially offset by increased selling costs.

Radio Stations:

STATION	LOCATION	FORMAT	MARKET	RANK (a)
WLTW-FM	New York, NY	Adult Contemp	1	1
KYSR-FM	Los Angeles, CA	Adult Contemp	2	2
KXEZ-FM (b)	Los Angeles, CA	Adult Contemp	2	2
WLIT-FM	Chicago, IL	Adult Contemp	3	7
KSRV-FM	San Francisco, CA	Adult Contemp	4	24 (Tie)

KSRI-FM	Santa Cruz/San Jose, CA	Adult Contemp	4	24 (Tie)
WLTJ-FM	Detroit, MI	Adult Contemp	6	8
WMZQ-AM/FM	Washington, DC	Country	8	4 (Tie)
WCXR-FM (c)	Washington, DC	Classic Rock	8	9 (Tie)
WCPT-AM (c)	Washington, DC	Headline News	8	NA(d)
KBSG-AM/FM	Seattle/Tacoma, WA	Oldies	13	2
KNDD-FM (e)	Seattle, WA	Modern Rock (AOR)	13	5

- (a) Source: Arbitron, Fall 1993, based on target demographics.  
(b) Acquired in June 1993.  
(c) Acquired in November 1993.  
(d) Rank not applicable.  
(e) Acquired in December 1992.

See "Acquisition and Ventures" for disclosure of acquisitions and exchanges of radio stations that occurred in 1993 and 1992.

#### Other Income and Expense Information

Corporate expenses increased 1% to \$72.0 million in 1993 from \$71.3 million in 1992, reflecting increased overall expenses offset by decreased compensation expense associated with the Long-Term Incentive Plans (the "Plans"), which consist of the Long-Term Incentive Plan ("LTIP") and the Long-Term Management Incentive Plan ("LTMIP"). The Plans provide for grants of phantom shares and stock options. The value of phantom shares issued under the Plans is determined by reference to the fair market value of Viacom Class A Common Stock and Viacom Class B Common Stock (collectively, "Common Stock"). The Plans also provide for subsequent cash payments with respect to such phantom shares based on appreciated value, subject to certain limits, and vesting requirements. As a result of the fluctuation in the market value of its Common Stock, Viacom Inc. recorded compensation expense associated with the Plans of \$3.9 million in 1993 and \$8.2 million in 1992. During December 1992, a significant portion of the liability associated with the LTIP was satisfied by the cash payment of \$68.6 million and the issuance of 177,897 shares of Viacom Class B Common Stock valued at \$6.9 million. The Plans' phantom shares currently have a maximum potential liability of \$19.5 million, all of which was accrued as of December 31, 1993.

Net interest expense decreased 25% to \$145.0 million in 1993 from \$194.1 million in 1992, reflecting improvements made to the capital structure (as described below) and reduced interest rates, including rates associated with the Credit Agreement (as defined in "Capital Structure"). The Company and Viacom Inc. had approximately \$2.4 billion principal amount of debt outstanding as of December 31, 1993 and December 31, 1992 at weighted average interest rates of 5.3% and 6.5%, respectively. On July 15, 1993, the Company redeemed all \$298 million principal amount outstanding of 11.80% Senior Subordinated Notes. During 1992, the following changes to the capital structure were made: a) on March 4, 1992, the Company issued \$150 million principal amount of 9.125% Senior Subordinated Notes ("9.125% Notes") due 1999; b) on March 10, 1992, the Company redeemed all \$193 million of the outstanding 11.5% Senior Subordinated Extendible Reset Notes ("11.5% Reset Notes") due 1998; c) on May 28, 1992, the Company issued \$100 million principal amount of 8.75% Senior Subordinated Reset Notes ("8.75% Reset Notes") due 2001; and d) on June 18, 1992, the Company redeemed all \$356.5 million of the outstanding 14.75% Senior Subordinated Discount Debentures ("Discount Debentures") due 2002 (see "Capital Structure"). (See "Liquidity and Capital Resources" for additional information concerning changes in Viacom Inc.'s and the Company's capital structure.)

For 1993, "Other items, net" reflects the pre-tax gain of approximately \$55 million on the sale of the stock of the Wisconsin cable system (see "Cable Television"), a pre-tax gain of \$17.4 million in the aggregate from sales of a portion of an investment held at cost, and an increase of \$9.1 million to previously established non-operating litigation reserves and other items.

The settlement of the Time Warner antitrust lawsuit resulted in various business arrangements, which have a positive effect on Viacom Inc. currently and are expected to continue to have a favorable effect on a prospective basis. "Other items, net" reflects a gain of \$35 million recorded in the third quarter of 1992; this gain represents payments received in the third quarter of 1992 relating to certain aspects of the settlement of the lawsuit, net of Viacom Inc.'s 1992 legal expenses related to this lawsuit.

"Other items, net" also reflects a reserve for litigation of \$33 million during the second quarter of 1992 related to a summary judgment against Viacom Inc. in a dispute with CBS Inc. arising under the 1970 agreement associated with the spin-off of Viacom International Inc. by CBS Inc. On July 30, 1993, the Company settled all disputes arising under that litigation.

"Equity in loss of affiliated companies, net of tax," consists primarily of the Company's share of Lifetime's net earnings, Comedy Central's net losses and Nickelodeon (UK)'s net losses in

1993. "Equity in loss of affiliated companies, net of tax" decreased 46% to \$2.5 million in 1993 from \$4.6 million in 1992, primarily reflecting improved operating results at Lifetime and Comedy Central, partially offset by net losses on equity investments made in 1993. (See "Acquisitions and Ventures.")

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes.

The annual effective tax rate of 43% for 1993 and 54.5% for 1992 (which continues to be adversely affected by amortization of acquisition costs which are not deductible for tax purposes) is decreased as a result of reductions of certain prior year tax reserves of \$22.0 million and \$20.0 million in 1993 and 1992, respectively. The reductions relate to management's current opinion on several tax issues based upon the progress of federal, state and local audits.

During the first quarter of 1993, the Company 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.

In August 1993, the Omnibus Budget Reconciliation Act of 1993 (the "Reconciliation Act") was signed into law. It is not expected that the Reconciliation Act will have a significant effect on the Company's financial position or results of operations.

In 1993, the Company recognized an after-tax extraordinary loss from the early extinguishment of the 11.80% Notes of \$8.9 million (net of a tax benefit of \$6.1 million).

In 1993, Viacom Inc. declared dividends on its Preferred Stock (as defined in "Capital Structure") of \$12.8 million.

In 1992, the FASB issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting For Postemployment Benefits" ("SFAS 112"), which the Company will adopt in 1994. SFAS 112 requires that postemployment benefits be accounted for under the accrual method versus the currently used pay-as-you-go method. SFAS 112 is not expected to have a significant effect on the Company's financial position or results of operations.

1992 vs. 1991  
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Revenues increased 9% to \$1.9 billion in 1992 from \$1.7 billion in 1991. Operating expenses increased 8% to \$854.0 million in 1992 from \$790.8 million in 1991. Earnings from operations increased 11% to \$347.9 million in 1992 from \$312.2 million in 1991. Explanations of variances in revenues and earnings from

operations for each operating segment follow.

Net earnings of \$49.0 million, or \$.41 per share, for the year ended December 31, 1992, reflect net interest expense of \$194.1 million and a provision for income taxes of \$84.8 million. The net loss of \$49.7 million, or \$.44 per share, for the year ended December 31, 1991, reflects net interest expense of \$297.5 million and a provision for income taxes of \$42.1 million.

#### Networks (Basic cable and premium television networks)

Networks revenues increased 15% to \$1.058 billion in 1992 from \$922.2 million in 1991. Earnings from operations increased 19% to \$205.6 million in 1992 from \$172.3 million in 1991.

MTVN revenues increased 30% to \$533.4 million in 1992 from \$411.4 million in 1991: 77% of the increase was attributable to increased advertising sales; 19% was due to increased affiliate fees; and 4% was due to other sources. The increases in advertising sales and affiliate fees were principally due to rate increases. The increase in other sources was principally due to revenues from new business ventures including licensing and merchandising. Earnings from operations of MTVN increased 23% to \$172.9 million in 1992 from \$141.0 million in 1991, reflecting the increased revenues, partially offset by increased programming expenses and other costs of operating the networks. The Company increased programming expenses, particularly for new animated programming on Nickelodeon. This new programming was to a large extent responsible for the Company's ability to increase advertising rates.

On August 30, 1991, Viacom Inc. increased its interest in MTV EUROPE to 100% through the purchase of the 50.01% interest held by an affiliate of Mirror Group Newspapers. Subsequent to August 30, 1991, the results of operations of MTV EUROPE have been included in MTVN's results of operations. Prior to such date, the investment in MTV EUROPE was accounted for under the equity method; therefore, operating results were included in "Equity in loss of affiliated companies, net of tax." The financial results of MTV EUROPE were not material to the financial results of the Company or the Networks segment; however, as the pan-European marketplace develops for both advertising revenues and affiliate fees, the financial results of MTV EUROPE may become material. In the aggregate, MTV (excluding MTV EUROPE), VH-1 and Nickelodeon/Nick at Nite revenues increased 21%, subscribers increased 3% and earnings from operations increased 18% during 1992 versus 1991.

SNI revenues increased 3% to \$515.3 million in 1992 from \$501.3 million in 1991: 30% of the revenue increase was due to rate increases for SSN; 23% was due to a higher average subscriber

base during the year for SSN principally attributable to the use of upgraded scrambling technology in 1992; 23% was due to a higher average cable subscriber base during the year for Showtime and The Movie Channel; and 24% of this increase was due to other revenue sources. SNI's premium movie services served approximately 10.7 million subscribers as of December 31, 1992 and 10.2 million subscribers as of December 31, 1991. SNI's overall earnings from operations increased 7% to \$35.2 million in 1992 from \$33.0 million in 1991, reflecting the increase in revenues, partially offset by an increase in programming expenses.

Entertainment (Television programming, syndication, production and new media)

Entertainment revenues decreased 9% to \$248.3 million in 1992 from \$273.5 million in 1991. The revenue variance was principally due to lower sales to broadcast, cable and other markets, lower network license fees and lower copyright royalty revenues. Lower sales to the broadcast, cable and other markets reflect softness in the syndication marketplace due to a generally weak economy and due to a decrease in the number of independent broadcast television stations because of new network affiliations. Network license fees were lower because there were fewer shows produced for network television. Copyright royalties were lower due to changes made by cable operators in the tiering of their services, which generated lower copyright royalty liabilities and therefore less income for program producers and syndicators. During the first quarter of 1992, certain legal developments indicated that the percentage of income recognized under certain copyright royalty arrangements should be increased. This change in estimate resulted in an increase in revenues of approximately \$10 million. During the first quarter of 1991, the Company began to recognize copyright royalty revenue on an accrual basis rather than a cash basis, as a sufficient pattern had been established to make these revenues estimable; this change resulted in an increase in revenues of approximately \$13.0 million. Earnings from operations decreased 19% to \$59.7 million in 1992 from \$73.2 million in 1991, reflecting the decreased revenues and changes in estimate noted above, and expenses associated with staff changes and the implementation of new systems of approximately \$4.0 million.

Cable Television (Cable television systems)

Cable television revenues increased 9% to \$411.1 million in 1992 from \$378.0 million in 1991; 68% of this increase resulted from increases in rates for basic services; 26% from increased basic customers; 10% from increased premium customers; partially offset by a negative 4% from decreases in other revenue sources. Total

revenue per basic customer per month increased 5% to \$31.06 in 1992 from \$29.41 in 1991. Earnings from operations increased 17% to \$122.0 million in 1992 from \$104.0 million in 1991, reflecting the increased revenues, partially offset by increased operating expenses.

As of December 31, 1992, the Company operated systems in California, Oregon, Washington, Wisconsin, Ohio and Tennessee, serving approximately 1,116,000 basic customers subscribing to approximately 786,000 premium units. Basic customers and premium units increased 3% and 1%, respectively, since December 31, 1991.

#### Broadcasting (Television and radio stations)

Broadcasting revenues increased 6% to \$168.8 million in 1992 from \$159.2 million in 1991. Earnings from operations increased 15% to \$32.0 million in 1992 from \$27.7 million in 1991.

Television revenues increased 9% to \$87.1 million in 1992 from \$80.1 million in 1991, reflecting an increase in national and local advertising revenues at each of the stations, primarily due to higher rates driven by the Olympics and the political campaign. Earnings from operations increased 38% to \$16.9 million in 1992 from \$12.2 million in 1991, reflecting the increased revenues, partially offset by increased programming and selling expenses.

Radio revenues increased 3% to \$81.8 million in 1992 from \$79.0 million in 1991, reflecting an increase in local advertising revenues, partially offset by a decrease in national advertising revenues. Earnings from operations decreased 7% to \$18.3 million in 1992 from \$19.6 million in 1991, driven by increased operating, selling and promotion costs, partially offset by the increased revenues.

#### Other Income and Expense Information

Corporate expenses increased 10% to \$71.3 million in 1992 from \$65.0 million in 1991, primarily due to severance costs, partially offset by decreased legal costs and decreased compensation expense associated with the Long-Term Incentive Plans. As a result of the fluctuation in the market value of its Common Stock, Viacom Inc. recorded compensation expense associated with the Plans of \$8.2 million and \$12.3 million in 1992 and 1991, respectively.

Net interest expense decreased 35% to \$194.1 million in 1992 from \$297.5 million in 1991, reflecting improvements made to the capital structure and reduced interest rates, including rates associated with the Credit Agreement (as defined in "Capital Structure"). The



Company and Viacom Inc. had approximately \$2.4 billion and \$2.3 billion principal amount of debt outstanding as of December 31, 1992 and December 31, 1991 at weighted average interest rates of 6.5% and 9.2%, respectively. During 1991, Viacom Inc. realized net proceeds of approximately \$317.7 million from the issuance of non-voting Class B Common Stock ("Viacom Class B Common Stock"); redeemed all \$402 million of its outstanding Exchange Debentures; the Company repurchased \$43 million principal amount of the Discount Debentures; and the Company issued \$200 million principal amount of 10.25% Senior Subordinated Notes ("10.25% Notes") due 2001. (See "Liquidity and Capital Resources" for additional information concerning changes in Viacom Inc.'s and the Company's capital structure.)

Viacom Inc. and the Company file a separate consolidated federal income tax return and have done so since the period commencing June 11, 1991, the date on which NAI's percentage ownership of Viacom was reduced to less than 80% (see "Capital Structure"). Prior to such date, Viacom Inc. and the Company filed a consolidated federal income tax return with NAI, and participated in a tax-sharing agreement with NAI with respect to federal income taxes. The tax-sharing agreement obligated Viacom Inc. and the Company to make payment to NAI to the extent that they would have paid federal income taxes on a separate company basis, and entitled them to receive a payment from NAI to the extent their losses and credits reduced NAI's federal income taxes.

"Equity in loss of affiliated companies, net of tax," decreased 64% to a loss of \$4.6 million in 1992 from a loss of \$12.7 million in 1991, driven by improvements at Lifetime and Comedy Central.

In 1992, the Company recognized after-tax extraordinary losses from the early extinguishment of the Discount Debentures of \$13.7 million (net of a tax benefit of \$8.9 million) and the 11.50% Reset Notes of \$3.4 million (net of a tax benefit of \$2.4 million).

#### Liquidity and Capital Resources

##### ----- Paramount Merger, Blockbuster Merger and Related Transactions -----

On March 11, 1994, Viacom Inc. acquired, pursuant to a tender offer (the "Paramount Offer"), 61,657,432 shares of Paramount common stock, constituting a majority of the shares outstanding, at a price of \$107 per share in cash. The Paramount Offer was financed by (i) the sale of Preferred Stock (see "Capital Structure"), proceeds of which are reflected as cash and cash equivalents on the balance sheet as of December 31, 1993, (ii) the sale of Viacom Class B Common Stock to Blockbuster and (iii) borrowings under a credit agreement (as described below). The

Paramount Offer was made pursuant to the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 (the "Paramount Merger Agreement") between Viacom Inc. and Paramount. Paramount will become a wholly owned subsidiary of Viacom Inc. (the "Paramount Merger") at the effective time of a merger between Paramount and a subsidiary of Viacom Inc. (the "Paramount Effective Time") which is expected to occur in the second quarter of 1994. Pursuant to the Paramount Merger Agreement, each share of Paramount common stock outstanding at the time of such merger (other than shares held in the treasury of Paramount or owned by Viacom Inc. and other than shares held by any stockholders who shall have demanded and perfected appraisal rights) 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 8% exchangeable subordinated debentures of Viacom Inc., (iii) 0.93065 of a contingent value right ("CVR"), (iv) 0.5 of a warrant to purchase one share of Viacom Class B Common Stock at any time prior to the third anniversary of the Paramount Merger at a price of \$60 per share, and (v) 0.3 of a warrant to purchase one share of Viacom Class B Common Stock at any time prior to the fifth anniversary of the Paramount Merger at a price of \$70 per share. If the debentures are issued prior to the completion of the proposed merger of Viacom Inc. and Blockbuster, the debentures will be exchangeable, at the option of Viacom Inc., into 5% exchangeable preferred stock of Viacom Inc. on or after January 1, 1995 if the proposed merger with Blockbuster has not previously been consummated.

Each CVR will represent the right to receive the amount, if any, by which the Target Price exceeds the greater of the Current Market Value or the Minimum Price (see defined terms in following paragraph). The CVRs will mature on the first anniversary of the Paramount Effective Time (the "Maturity Date"); provided, however, that Viacom Inc. may, at its option, (i) extend the Maturity Date to the second anniversary of the Paramount Effective Time (the "First Extended Maturity Date") or (ii) extend the First Extended Maturity Date to the third anniversary or the Paramount Effective Time (the "Second Extended Maturity Date"). Viacom Inc., at its option, may pay any amount due under the terms of the CVRs in cash or in the equivalent value of registered securities of Viacom Inc., including without limitation, common stock, preferred stock, notes, or other securities.

The "Minimum Price" means (a) at the Maturity Date, \$36, (b) at the First Extended Maturity Date, \$37 and (c) at the Second Extended Maturity Date, \$38. Target Price means (a) at the Maturity Date, \$48, (b) at the First Extended Maturity Date, \$51, and (c) at the Second Extended Maturity Date, \$55. The "Current Market Value" means the average market price of Viacom Class B Common Stock for a specified period.

On January 7, 1994, Viacom Inc. and Blockbuster entered into an agreement and plan of merger (the "Blockbuster Merger Agreement") pursuant to which Blockbuster will be merged with and into Viacom Inc. (the "Blockbuster Merger") subject to shareholder approval. At the effective time of the Blockbuster Merger, each share of Blockbuster common stock outstanding at the time of the Blockbuster Merger (other than shares held in the treasury of Blockbuster or owned by Viacom Inc. and other than shares held by any stockholders who shall have demanded and perfected appraisal rights, if available) 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 the exact fraction of a share being dependent on the market prices of Viacom Class B Common Stock during the year following the effective time of the Blockbuster Merger, and with the right to receive such additional fraction of a share to be evidenced by one variable common right ("VCR"). The VCRs mature on the first anniversary of the Blockbuster Merger ("VCR Conversion Date").

The mergers pursuant to the Paramount Merger Agreement and Blockbuster Merger Agreement (collectively, the "Mergers") have been unanimously approved by the Boards of Directors of each of the respective companies. The obligations of Viacom Inc., Blockbuster and Paramount to consummate the mergers are subject to various conditions, including obtaining requisite stockholder approvals. Viacom Inc. intends to vote its shares of Paramount in favor of the merger and NAI has agreed to vote its shares of Viacom Inc. in favor of the Mergers; therefore, stockholder approval of the Paramount Merger is assured, and approval by Viacom Inc. of the Blockbuster Merger is also assured.

On March 10, 1994, Blockbuster purchased approximately 22.7 million shares of Viacom Class B Common Stock for an aggregate purchase price of \$1.25 billion, or \$55 per share. If (with certain exceptions) the Blockbuster Merger Agreement is terminated and in the event that Viacom Class B Common Stock trades (for a specified period) at a level below \$55 per share during the one year period after such termination, Viacom Inc. may be obligated to make certain payments of up to a maximum of \$275 million, at its option, in cash or securities, or to sell certain assets to Blockbuster. The Viacom Class B Common Stock purchased by Blockbuster will be canceled upon consummation of the Blockbuster Merger.

On February 15, 1994, Blockbuster entered into a credit agreement with certain financial institutions named therein, pursuant to which such financial institutions have advanced to Blockbuster, on an unsecured basis, an aggregate of \$1.0 billion to finance a portion of the purchase of the shares under the Subscription Agreement (the "Blockbuster Facility"). The

Blockbuster Facility contains certain 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 by Blockbuster under the Blockbuster Facility.

On March 11, 1994, Viacom Inc. borrowed \$3.7 billion under a credit agreement dated as of November 19, 1993, as amended on January 4, 1994 and 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 Agent (the "Merger Credit Agreement").

The Merger Credit Agreement provides that, in order to pay for the Paramount 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 Merger Credit Agreement provides that Viacom Inc. may elect to borrow at either the Base Rate or the Eurodollar Rate (each as defined below), subject to certain limitations. The "Base Rate" will be the higher of (i) the Citibank N.A., 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 Inc.'s senior unsecured long-term debt is rated by Standard & Poor's Corporation or Moody's Investors Service, Inc., and (ii) thereafter, a variable rate ranging from 0.25% to 0.9375% dependent on the senior unsecured long-term debt rating assigned to Viacom Inc. The Merger Credit Agreement provides that Viacom Inc. will pay each bank a facility fee on such bank's commitment until November 18, 1994.

The Merger Credit Agreement contains certain covenants which, among other things, require Viacom Inc. to meet certain financial ratios.

As of December 31, 1993, Viacom Inc. had promissory notes outstanding in the aggregate amount of \$26 million, in order to finance expenses associated with the Mergers and expects to obtain additional financing as required to finance such expenses.

Viacom Inc. anticipates that, following the Mergers, Viacom Inc., Paramount and Blockbuster, on a pro forma combined basis (the "Combined Company") will have outstanding total indebtedness of approximately \$10 billion (\$8 billion if the Blockbuster Merger is not consummated) and 5% Preferred Stock (as defined in "Capital Structure") with a liquidation preference of \$1.2 billion (\$1.8 billion if the Blockbuster Merger is not consummated). Of such \$10 billion, \$3.7 billion was borrowed under the Merger Credit Agreement and must be repaid by November 18, 1994. In addition, the \$1.0 billion

borrowed under the Blockbuster Facility must be repaid by February 14, 1995 and both the Blockbuster Facility and a previous 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 under such Blockbuster facilities prior to the Blockbuster Merger. Accordingly, assuming consummation of the Blockbuster Merger, the foregoing facilities, together with other current maturities, may require Viacom Inc. to refinance up to \$5.7 billion (\$4.0 billion if the Blockbuster Merger is not consummated) within the next 12 months. Viacom Inc. also anticipates that, following the Mergers, the Combined Company will fund its anticipated operating, investing and financing activities, including the anticipated cash requirements of its joint ventures, commitments, capital expenditures, preferred stock dividend requirements and principal and interest payments on outstanding indebtedness, through a variety of sources, which may include, but may not be limited to, funds generated internally by Viacom Inc. and its subsidiaries (including following the Mergers funds generated by Blockbuster and Paramount), bank refinancing, and the public or private sale of debt or equity securities. The Blockbuster Merger is subject to shareholder approval. In the event the Blockbuster Merger is not consummated, Viacom Inc. believes that it will still be capable of meeting all of its obligations.

Viacom Inc. and the Company - Liquidity and Capital Resources

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(prior to the Paramount Offer and the Mergers)  
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The Company's scheduled maturities of long-term debt through December 31, 1998, assuming full utilization of the \$1.9 billion commitment under the Credit Agreement and \$300 million under the Loan Facility Agreement, are \$300 million (1994), \$380 million (1995), \$380 million (1996) \$380 million (1997) and \$380 million (1998). On January 4, 1993, Viacom Inc. borrowed \$42.2 million from The Bank of New York ("BONY") pursuant to an unsecured credit agreement ("Term Loan Agreement") to satisfy its obligation under the LTIP. Viacom Inc. repaid \$13.9 million of debt under the Term Loan Agreement on January 15, 1994, the first scheduled maturity date. The remaining \$28.3 million under the Term Loan Agreement matures on January 15, 1995. (See "Capital Structure " for defined terms and additional information).

The Company's joint ventures are expected to require estimated cash contributions of approximately \$20 million to \$40 million in 1994. Capital expenditures are primarily related to additional construction and equipment upgrades for the Company's existing cable franchises, certain transponder payments and information system costs. Planned capital expenditures,

including information systems costs, are approximately \$150 million to \$170 million in 1994.

The Company was in compliance with all covenants and had satisfied all financial ratios and tests as of December 31, 1993 under its Credit Agreement and the Company expects to remain in compliance and satisfy all such financial ratios and tests during 1994.

Debt as a percentage of total capitalization of Viacom Inc. was 47% at December 31, 1993 and 76% at December 31, 1992. The decrease in debt as a percentage of total capitalization resulted principally from the issuance of Preferred Stock (as defined in "Capital Structure") during 1993.

The commitments of the Company for program license fees which are not reflected in the balance sheet as of December 31, 1993, which are estimated to aggregate approximately \$1.9 billion, principally reflect commitments under SNI's exclusive arrangements with several motion picture companies. This estimate is based upon a number of factors. A majority of such fees are payable 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.

During July 1991, the Company received reassessments from 10 California counties of its Cable Division's real and personal property, related to the June 1987 acquisition by NAI, which could result in substantially higher California property tax liabilities. The Company is appealing the reassessments and believes that the reassessments as issued are unreasonable and unsupportable under California law. The Company believes that the final resolution of this matter will not have a material effect on its consolidated financial position or results of operations.

Net cash flow from operating activities increased 45% to \$147.6 million in 1993 from \$102.0 million in 1992, resulting from increased net earnings before extraordinary items and cumulative effect of change in accounting principle, partially offset by increased payments for accrued expenses. Net cash expenditures for investing activities of \$128.4 million in 1993 principally reflects capital expenditures, the acquisitions of KXEZ-FM and ICOM Simulations, Inc. and the additional investment in StarSight Telecast Inc. ("StarSight") and advances to Comedy Central, partially offset by proceeds from the sale of the Wisconsin cable system, proceeds related to the radio station swap and proceeds from the sale of an investment held at cost. Net cash expenditures for investing activities of \$116.8 million in 1992 principally reflect capital expenditures, advances to

Comedy Central and a deposit received on the sale of Viacom Cablevision of Wisconsin Inc. Financing activities reflect borrowings and repayment of debt under the Credit Agreement during each period presented; the redemption of the 11.80 % Notes and the issuance of the Preferred Stock during 1993, and the redemption of the 11.50% Reset Notes and Discount Debentures, and the issuance of the 9.125% Notes and the 8.75% Reset Notes during 1992.

#### Acquisitions and Ventures

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On November 1, 1993, the Company exchanged KIKK-AM/FM, Houston, Texas, for Westinghouse Broadcasting Company, Inc.'s WCXR-FM and WCPT-AM, Washington, D.C., and cash.

On June 16, 1993, the Company purchased KXEZ-FM (formerly KQLZ-FM), Los Angeles, California from Westwood One Stations Group-LA, Inc. for \$40 million in cash and certain other consideration. The Company sold KXEZ-FM to Viacom Inc. in exchange for a \$40 million promissory note.

On May 5, 1993, the Company completed the purchase of privately held ICOM Simulations, Inc.

On March 31, 1993, the Company increased its percentage of ownership in StarSight. On August 5, 1993, StarSight completed an initial public offering of 3,105,000 shares of common stock. On September 16, 1993, the Company exercised a warrant to purchase 833,333 shares of StarSight common stock at a cost of \$5.625 per share. In November 1993, the Company transferred its ownership percentage in StarSight to a consolidated affiliate of the Company. As a result of these transactions, the affiliate of the Company's percentage ownership of StarSight is approximately 21%. The investment in StarSight is accounted for under the equity method.

In December 1992, the Company entered into a 50-50 joint venture called Nickelodeon (UK) with a subsidiary of British Sky Broadcasting Limited. Nickelodeon (UK) began airing on September 1, 1993. The Company's investment is accounted under the equity method and therefore the results of operations is included in "Equity in loss of affiliated companies, net of tax."

The Company exchanged KHOW-AM and FM, Denver, Colorado for Noble Broadcast Group, Inc.'s KNDD-FM, Seattle, Washington effective December 28, 1992.

On August 30, 1991, Viacom Inc. increased its interest in MTV EUROPE to 100% through the purchase of the 50.01% interest held by an affiliate of Mirror Group Newspapers. The approximate value of the purchase was \$65.0 million, which included intangibles of

approximately \$61.6 million. As consideration for the sale, Viacom Inc. issued 2,210,884 shares of Viacom Class B Common Stock (see "Capital Structure").

Capital Structure  
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The following table and related notes set forth the capitalization of Viacom Inc. and subsidiaries as of December 31, 1993 and December 31, 1992:

	December 31, 1993	December 31, 1992
	(Thousands of Dollars)	
	\$	\$
	=====	=====
Current portion of long-term debt	\$ 55,004	\$ --
Long-term debt:		
Notes payable to banks (a)	\$ 1,928,271	1,648,984
11.8% Senior Subordinated Notes due 1998 (b)	--	298,000
9.125% Senior Subordinated Notes due 1999 (c)	150,000	150,000
8.75% Senior Subordinated Reset Notes due 2001 (d)	100,000	100,000
10.25% Senior Subordinated Notes due 2001 (e)	200,000	200,000
5.75% Convertible Subordinated Debentures due 2001	15	30
	-----	-----
Total long-term debt	\$ 2,378,286	\$ 2,397,014
	=====	=====
Shareholders' equity (f):		
Preferred Stock	\$ 1,800,000	\$ --
Common Stock and additional paid-in capital	922,072	918,671
Accumulated deficit	(3,958)	(162,160)
	-----	-----
Total shareholders' equity	\$ 2,718,114	\$ 756,511
	=====	=====



(a) -- At December 31, 1993, there were aggregate borrowing facilities of \$1.9 billion and \$300 million under (i) an unsecured credit agreement guaranteed by Viacom Inc. (amended and restated as of January 17, 1992 (as amended, the "Credit Agreement") among the Company, the named banks ("Banks"), Citibank, N.A. ("Citibank") as agent and The Bank of New York ("BONY") as co-agent and (ii) an unsecured credit agreement, dated June 2, 1993, among the Company and the named banks and BONY and Citibank as agents (the "Loan Facility Agreement"). The Loan Facility Agreement has a 364-day term and is identical to the Credit Agreement in all other material terms and conditions. Borrowings of \$1.765 billion were outstanding under the Credit Agreement as of December 31, 1993, including \$274 million aggregate principal amount assumed by five subsidiaries of the Company ("Subsidiary Obligors"). Borrowings of \$150 million were outstanding under the Loan Facility Agreement as of December 31, 1993, \$135 million of which were classified as long-term.

Subsequent to December 31, 1993, Viacom Inc. borrowed approximately \$3.7 billion pursuant to the Merger Credit Agreement in connection with the Paramount Merger (see "Paramount Merger, Blockbuster Merger and Related Transactions").

The following is a summary description of the Credit Agreement. The description does not purport to be complete and should be read in conjunction with the Credit Agreement.

The Credit Agreement provides for three facilities:

- Facility A - \$700 million under a term loan having a final maturity of June 30, 1999;
- Facility B - \$926 million under a revolver, which converts on January 1, 1995 into a term loan having a final maturity of June 30, 1999; and
- Facility B-1 - \$274 million under a term loan having a final maturity of June 30, 1999.

The interest rate on all loans made under the three facilities is based upon Citibank, N.A.'s base rate, the domestic certificate of deposit rate or the London Interbank Offered Rate and is affected by the Company's leverage ratio. At December 31, 1993, the London Interbank Offered Rates (upon which the Company's borrowing rate was based) for borrowing periods of one month and two months were 3.25% and 3.3125%, respectively. The Company is permitted to issue commercial paper with a maturity at the time of issuance not to exceed nine months, provided that following each issuance of

commercial paper, (i) the aggregate face amount of commercial paper outstanding shall not exceed \$500 million less the aggregate amount of competitive bid rate borrowings (described below), outstanding at such time and (ii) the aggregate amount of all Facility B loans and competitive bid rate loans outstanding, together with the aggregate face amount of commercial paper outstanding, shall not exceed \$926 million. The Company is also permitted to make short-term competitive bid rate borrowings from the Banks until December 1, 1994, provided that following the making of each proposed competitive bid rate borrowing, (i) the aggregate amount of the competitive bid rate loans outstanding shall not exceed \$500 million less the aggregate face amount of commercial paper outstanding and (ii) the aggregate amount of all Facility B loans and competitive bid rate loans outstanding, together with the aggregate face amount of commercial paper outstanding, shall not exceed \$926 million.

The Company and Subsidiary Obligors are required to repay the principal outstanding under the Credit Agreement in quarterly payments equal to percentages of the original aggregate principal amount with respect to the Facility A loans and Facility B-1 loans, and of the outstanding principal amount with respect to the Facility B loans, under the Credit Agreement, in the amount of 5% for the period commencing January 2, 1995 through and including January 2, 1999; and 7.5% on April 1, 1999 and on June 30, 1999.

The Company may prepay at any time a portion or all of the principal outstanding under the Credit Agreement. Any such optional prepayments shall be applied to the remaining installments of Facility A and Facility B loans in the order that the Company designates. The Company is required to make mandatory prepayments upon receipt of net cash sale proceeds in connection with permitted sales of assets not in the ordinary course of business. All such prepayments shall be applied until December 31, 1994 to reduce the Facility B loans outstanding; provided, however, that any amounts so repaid may be reborrowed prior to December 31, 1994. All such prepayments after December 31, 1994 shall be applied pro rata against the remaining installments of first, the Facility A loans and second, the Facility B loans. In the event of a sale of the stock or substantially all of the assets of any Subsidiary Obligor, the Facility B-1 loan of such Subsidiary Obligor shall be repaid in full; provided, however, that upon such prepayment prior to December 31, 1994, the Facility B commitment of each Facility B Bank shall be increased by an amount equal to the principal amount of such Facility B Bank's Facility B-1 loan prepaid as a result of such prepayment and such amounts may be borrowed by the Company prior to December 31, 1994. The Company is required to prepay principal outstanding under the Credit Agreement with the proceeds of certain issuances of unsecured senior debt in an amount equal to the proceeds so received, together with accrued interest to the date of such prepayment on the principal amount prepaid, with such prepayments applied against remaining installments of first, the

Facility A loans and second, the Facility B loans.

The Credit Agreement contains certain covenants which, among other things, require the Company to maintain certain financial ratios and impose on the Company and its subsidiaries certain limitations on (i) the incurrence of indebtedness or the guarantee or assumption of indebtedness of another; (ii) the creation or incurrence of mortgages, pledges or security interests on the property or assets of the Company or any of its subsidiaries in order to secure debt or the sale of assets of the Company or its subsidiaries; (iii) the merger or consolidation of the Company with any person or other entity; (iv) the incurrence of capitalized leases and purchase money indebtedness; (v) the payment of cash dividends or the redemption or repurchase of any capital stock of the Company; and (vi) investments and acquisitions.

The Credit Agreement also contains certain customary events of default. The Credit Agreement also provides that it is an event of default if National Amusements, Inc. ("NAI") fails to own at least 51% of the outstanding voting stock of Viacom Inc. or Viacom Inc. fails to own at least 67% of the outstanding voting stock of the Company.

Under the restrictions contained in the Credit Agreement, the Company is prohibited from (i) paying any dividends on its stock to Viacom Inc. for the purpose of enabling Viacom Inc. to pay any dividend on its common stock, or (ii) making any other dividend payments to Viacom Inc. (other than for certain limited specified purposes, including the satisfaction of Viacom Inc.'s obligations under the LTIP), unless its total leverage ratio is less than a specified amount.

The Company is required to pay a commitment fee based on the aggregate average daily unborrowed portion of the Facility B commitment, with any amounts outstanding under competitive bid rate loans and commercial paper being deemed unborrowed for the purpose of calculating the commitment fee. The Company also is required to pay certain agency fees to the agent. The Credit Agreement does not require compensating balances.

On January 4, 1993, Viacom Inc. borrowed \$42.2 million from BONY pursuant to the Term Loan Agreement. The interest rate in the Term Loan Agreement is based upon BONY's prime rate or the London Interbank Offered Rate. Viacom Inc. repaid \$13.9 million of debt under the Term Loan Agreement on January 15, 1994, the first scheduled maturity date. The remaining \$28.3 million under the Term Loan Agreement matures on January 15, 1995.

Viacom Inc. may prepay at any time a portion or all of the principal amount outstanding under the Term Loan Agreement. Any such optional prepayments shall be applied to reduce the principal installment due January 1995 and shall include all accrued interest

on the amount of principal prepaid. Viacom Inc. shall be obligated to prepay the loan in the amount of any dividends received from the Company.

The Term Loan Agreement contains certain covenants which impose certain limitations on (i) the incurrence of indebtedness and (ii) payment of cash dividends or the redemption or repurchase of any capital stock of Viacom. The Term Loan Agreement also contains certain customary events of default. The Term Loan Agreement has been amended to allow Viacom Inc. to complete the Paramount Offer and Paramount Merger.

The indebtedness under the Credit Agreement, Loan Facility Agreement and Term Loan Agreement bear interest at floating rates, causing the Company to be sensitive to changes in prevailing interest rates. The Company enters into interest rate protection agreements with off-balance sheet risk in order to reduce its exposure to changes in interest rates on its variable rate long-term debt. These interest rate protection agreements include interest rate swaps and interest rate caps. At December 31, 1993, the Company and Viacom Inc. had interest rate protection agreements outstanding with commercial banks, with respect to \$1.1 billion of indebtedness under the Credit Agreement and \$42.2 million under the Term Loan Agreement. These agreements effectively change the Company's interest exposure under the Credit Agreement to a ceiling of 5.64% on the interest rate caps, and under the Term Loan Agreement to a fixed weighted average rate of 6.65% on interest rate swaps. The interest rate protection agreements are in effect for a fixed period of time. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties.

The Company had commercial paper outstanding of \$60.9 million as of December 31, 1993.

The Company also has aggregate money market facilities of \$40 million, all of which was available at December 31, 1993.

(b) -- On July 15, 1993, the Company redeemed all of the \$298 million principal amount outstanding of the 11.80% Senior Subordinated Notes ("11.80% Notes") at a redemption price equal to 103.37% of the principal amount plus accrued interest to July 15, 1993. The Company 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 on the transaction. The Company borrowed the funds necessary for the redemption under its bank credit facilities.

(c) -- On March 4, 1992, the Company issued \$150 million aggregate principal amount of 9.125% Senior Subordinated Notes ("9.125% Notes") due August 15, 1999. Interest is payable

semiannually on February 15 and August 15, commencing August 15, 1992. The 9.125% Notes may not be redeemed prior to February 15, 1997. They are redeemable at the option of the Company, in whole or in part, during the 12 month period beginning February 15, 1997 at a redemption price of 102.607% of the principal amount, during the 12 month period beginning February 15, 1998 at 101.304% of the principal amount, and on or after February 15, 1999 at 100% of the principal amount. Any such redemption will include accrued interest to the redemption date. The 9.125% Notes are not subject to any sinking fund requirements.

(d) -- On May 28, 1992, the Company issued \$100 million aggregate principal amount of 8.75% Senior Subordinated Reset Notes ("8.75% Reset Notes") due on May 15, 2001. Interest is payable semiannually on May 15 and November 15, commencing November 15, 1992. On May 15, 1995 and May 15, 1998, unless a notice of redemption of the 8.75% Reset Notes on such date has been given by the Company, the interest rate on the 8.75% Reset Notes will, if necessary, be adjusted from the rate then in effect to a rate to be determined on the basis of market rates in effect on May 5, 1995 and on May 5, 1998, respectively, as the rate the 8.75% Reset Notes should bear in order to have a market value of 101% of principal amount immediately after the resetting of the rate. In no event will the interest rate be lower than 8.75% or higher than the average three year treasury rate (as defined in the indenture) multiplied by two. The interest rate reset on May 15, 1995 will remain in effect on the 8.75% Reset Notes through and including May 15, 1998 and the interest rate reset on May 15, 1998 will remain in effect on the 8.75% Reset Notes thereafter. The 8.75% Reset Notes are redeemable at the option of the Company, in whole but not in part, on May 15, 1995 or May 15, 1998, at a redemption price of 101% of principal amount plus accrued interest to, but not including, the date of redemption. The 8.75% Reset Notes are not subject to any sinking fund requirements.

(e) -- On September 15, 1991, the Company issued \$200 million aggregate principal amount of 10.25% Senior Subordinated Notes ("10.25% Notes") due September 15, 2001. Interest is payable semiannually on March 15 and September 15, commencing March 15, 1992. The 10.25% Notes are not redeemable by the Company prior to maturity and are not subject to any sinking fund requirements.

(f) -- On December 31, 1993, there were 53,449,325 outstanding shares of Viacom Class A Common Stock (100,000,000 shares authorized) and 67,347,131 outstanding shares of Viacom Class B Common Stock (150,000,000 shares authorized).

On October 22, 1993, Blockbuster purchased 24 million shares of cumulative convertible preferred stock, par value \$.01 per share, of Viacom Inc. ("Series A Preferred Stock") for \$600 million. On November 19, 1993, NYNEX Corporation ("NYNEX") purchased 24 million shares of cumulative convertible preferred stock, par value \$.01

per share, of Viacom Inc. ("Series B Preferred Stock," collectively with the Series A Preferred Stock, "Preferred Stock") for \$1.2 billion. Series A Preferred Stock and Series B Preferred Stock have liquidation preferences of \$25 per share and \$50 per share, respectively. The Preferred Stock has an annual dividend rate of 5%, is convertible into shares of Viacom Class B Common Stock at a conversion price of \$70 and does not have voting rights other than those required by law. The Preferred Stock is redeemable by Viacom Inc. at declining premiums after five years. The Preferred Stock purchased by Blockbuster will be canceled upon consummation of the Blockbuster Merger. Both NYNEX and Blockbuster may, under certain limited circumstances, require Viacom Inc. to repurchase their respective preferred shares, but such right does not inure to the benefit of subsequent holders of such preferred shares.

NAI holds approximately 76.3% and the public holds approximately 23.7% of outstanding Viacom Inc. Common Stock as of December 31, 1993. NAI's percentage of ownership consists of 85.2% of the outstanding Viacom Class A Common Stock and 69.1% of the outstanding Viacom Class B Common Stock, as of December 31, 1993. Pursuant to a purchase program initiated in August 1987, NAI announced its intention to buy, from time to time, up to an additional 3,000,000 shares of Viacom Class A Common Stock and 2,423,700 shares of Viacom Class B Common Stock. As of December 31, 1993, NAI had acquired an aggregate of 3,374,300 shares of Common Stock, consisting of 1,466,200 shares of Viacom Class A Common Stock and 1,908,100 shares of Viacom Class B Common Stock, pursuant to this buying program. On August 20, 1993, NAI ceased making purchases of Common Stock.

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The Company and Viacom Inc. filed a shelf registration statement with the Securities and Exchange Commission ("SEC") registering \$800 million of debt securities (or, if such debt securities are issued at an original issue discount, such greater principal amount as shall result in an aggregate offering price equal to \$800 million) guaranteed by Viacom Inc. The registration statement was declared effective by the SEC on March 11, 1993. Some or all of the debt securities may be issued by the Company in one or more offerings.

During April 1993, the Company and Viacom Inc. terminated the prior shelf registration statement, under which an aggregate of \$300 million principal amount of additional debt securities remained available.

NAI, Sumner M. Redstone and the Company each have purchased on the open market and may in the future continue to purchase on the open market or in privately negotiated transactions certain debt securities of the Company. During 1993, there were no purchases of debt securities made by NAI, Sumner M. Redstone or the

Company. During 1992, Sumner M. Redstone purchased directly or beneficially \$350,000, \$605,000, \$15,000 and \$200,000 of 11.50% Senior Subordinated Extendible Reset Notes, 9.125% Senior Subordinated Notes, 10.25% Senior Subordinated Notes and 8.75% Senior Subordinated Reset Notes, respectively. During 1991, NAI and Sumner M. Redstone purchased \$3,110,000 and \$869,000 of 11.80% Senior Subordinated Notes, respectively. During 1991, NAI purchased \$311,000 of the 11.50% Senior Subordinated Extendible Reset Notes. During December 1991, the Company purchased \$43 million of Discount Debentures at an average price of 107.375% of their principal amount plus accrued interest.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT ACCOUNTANTS

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To the Boards of Directors and  
Shareholders of Viacom Inc. and  
Viacom International Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Viacom Inc. and its subsidiaries and of Viacom International Inc., a wholly-owned subsidiary of Viacom Inc., and its subsidiaries, at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of Viacom Inc. and Viacom International Inc.; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 7 to the financial statements, Viacom Inc. and Viacom International Inc. adopted Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes" in 1993.

PRICE WATERHOUSE

1177 Avenue of the Americas  
New York, New York 10036

February 4, 1994, except as to Note 2, which is as of March 11, 1994



MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

VIACOM INC.

By: /s/Frank J. Biondi, Jr.

-----  
Frank J. Biondi, Jr.  
President, Chief Executive Officer

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

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

By: /s/Kevin C. Lavan

-----  
Kevin C. Lavan  
Vice President, Controller  
and Chief Accounting Officer

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

-----  
(Thousands of dollars, except per share amounts)

	Year Ended December 31,		
	1993	1992	1991
	-----	-----	-----
Revenues	\$2,004,949	\$1,864,683	\$1,711,562
Expenses:			
Operating	877,609	853,977	790,816
Selling, general and administrative	589,288	517,977	475,648
Depreciation and amortization	153,057	144,802	132,864
	-----	-----	-----
Total expenses	1,619,954	1,516,756	1,399,328
	-----	-----	-----
Earnings from operations	384,995	347,927	312,234
Other income (expense):			
Interest expense, net	(144,953)	(194,104)	(297,451)
Other items, net (See Note 14)	61,774	1,756	(6,536)
	-----	-----	-----
Earnings before income taxes	301,816	155,579	8,247
Provision for income taxes	129,815	84,848	42,060
Equity in loss of affiliated companies, net of tax	(2,520)	(4,646)	(12,743)
	-----	-----	-----
Earnings (loss) before extraordinary losses and cumulative effect of change in accounting principle	169,481	66,085	(46,556)
Extraordinary losses, net of tax (See Note 4)	(8,867)	(17,120)	(3,101)
Cumulative effect of change in accounting principle	10,338	--	--
	-----	-----	-----
Net earnings (loss)	170,952	48,965	(49,657)
Cumulative convertible preferred stock dividend requirement of Viacom Inc.	12,750	--	--
	-----	-----	-----
Net earnings (loss) attributable to common stock	\$ 158,202	\$ 48,965	\$ (49,657)
	=====	=====	=====
Weighted average number of common shares	120,607	120,235	113,789
Net earnings (loss) per common share:			
Earnings (loss) before extraordinary losses and cumulative effect of change in accounting principle	\$ 1.30	\$ .55	\$ (.41)
Extraordinary losses	(.07)	(.14)	(.03)
Cumulative effect of change in accounting principle	.08	--	--
	-----	-----	-----
Net earnings (loss)	\$ 1.31	\$ .41	\$ (.44)
	=====	=====	=====

See notes to consolidated financial statements.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

-----  
(Thousands of dollars)

	December 31,	
	1993	1992
	-----	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$1,882,381	\$ 48,428
Receivables, less allowances of \$33,889 and \$25,779	351,765	319,804
Distribution fees advanced and committed, current	18,620	19,631
Program rights and deferred program costs, current	264,212	215,109
Prepaid distribution costs	73,722	89,723
Other current assets	95,693	65,793
	-----	-----
Total current assets	2,686,393	758,488
Property and Equipment:		
Land	16,486	17,869
Buildings	41,627	37,486
Cable television systems	414,918	388,170
Broadcasting facilities	52,100	50,665
Equipment and other	349,332	258,565
Construction in progress	26,982	10,858
	-----	-----
	901,445	763,613
Less accumulated depreciation	347,243	306,548
	-----	-----
Net property and equipment	554,202	457,065
	-----	-----
Distribution fees advanced and committed, non-current	263,281	228,784
Program rights and deferred program costs, non-current	526,247	462,122
Intangibles, at amortized cost	2,180,571	2,195,936
Other assets	206,174	214,699
	-----	-----
	\$6,416,868	\$4,317,094
	=====	=====

See notes to consolidated financial statements.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

-----  
(Thousands of dollars, except per share amounts)

	December 31,	
	----- 1993	1992 -----
	-----	-----
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 96,579	\$ 71,199
Accrued interest	20,684	38,229
Deferred income, current	50,930	68,295
Other accrued expenses	264,921	290,937
Income taxes	140,453	96,529
Owners' share of distribution revenue	139,081	158,351
Program rights, current	197,966	187,956
Current portion of long-term debt	55,004	--
	-----	-----
Total current liabilities	965,618	911,496
	-----	-----
Long-term debt	2,378,286	2,397,014
Program rights, non-current	86,752	92,886
Other liabilities	268,098	159,187
Commitments and contingencies (See Note 10)		
Shareholders' Equity of Viacom Inc. (See Notes 1 and 6):		
Preferred Stock, par value \$.01 per share; 100,000,000 shares authorized; 48,000,000 shares issued and outstanding; stated at liquidation value	1,800,000	--
A Common Stock, par value \$.01 per share; 100,000,000 shares authorized; 53,449,325 (1993) and 53,380,390 (1992) shares issued and outstanding	535	534
B Common Stock, par value \$.01 per share; 150,000,000 shares authorized; 67,347,131 (1993) and 67,069,688 (1992) shares issued and outstanding	673	671
Additional paid-in capital	920,864	917,466
Accumulated deficit	(3,958)	(162,160)
	-----	-----
Total shareholders' equity	2,718,114	756,511
	-----	-----
	\$6,416,868	\$4,317,094
	=====	=====

See notes to consolidated financial statements.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
-----

	Year Ended December 31,		
	1993	1992	1991
	----- (Thousands of dollars) -----		
Net cash flow from operating activities:			
Net earnings (loss)	\$170,952	\$ 48,965	\$ (49,657)
Adjustments to reconcile net earnings (loss) to net cash flow from operating activities:			
Depreciation and amortization	153,057	144,802	132,864
Interest accretion and interest in kind on debentures	--	--	59,196
Reserve for litigation (See Note 14)	--	33,000	--
Equity in loss of affiliated companies, net of tax	2,520	4,646	12,743
Gain on the sale of the cable system, net of tax	(45,873)	--	--
Gain on the sale of investment held at cost, net of tax	(10,882)	--	--
Extraordinary losses, net of tax	8,867	17,120	3,101
Deferred compensation	3,924	8,202	12,328
Provision (benefit) for deferred income taxes	24,364	15,068	(8,756)
(Decrease) increase in accounts payable and accrued expenses	(17,189)	53,400	6,831
Increase in receivables	(31,881)	(49,756)	(61,929)
Increase in programming related assets and liabilities, net	(137,549)	(138,568)	(66,391)
Increase in income taxes payable	58,501	7,389	37,732
(Decrease) increase in deferred income	(8,999)	22,933	(2,384)
(Increase) decrease in unbilled receivables	(6,516)	17,749	(27,630)
Payment of LTIP liability	(3,606)	(68,599)	--
Other, net	(12,080)	(14,362)	21,819
	-----	-----	-----
Net cash flow from operating activities	147,610	101,989	69,867
	-----	-----	-----
Investing activities:			
Capital expenditures	(135,011)	(110,222)	(72,157)
Investments in and advances to affiliated companies	(21,618)	(23,708)	(44,372)
Advances from affiliated companies	13,441	9,447	5,546
Proceeds from sale of cable system and radio station	93,739	20,000	--
Proceeds from sale of investment held at cost	18,140	--	--
Proceeds from sale of transponders	51,000	--	--
Acquisitions	(82,197)	--	--
Deposits on transponders	(49,934)	(9,723)	--
Payment of deferred merger costs	(15,382)	--	--
Other, net	(616)	(2,636)	(4,120)
	-----	-----	-----
Net cash flow from investing activities	(128,438)	(116,842)	(115,103)
	-----	-----	-----
Financing activities:			
Borrowings from banks under credit facilities	334,291	8,343,967	6,695,048
Repayments to banks under credit facilities	--	(7,968,466)	(6,764,593)
Issuance of notes	--	250,000	200,000
Redemption of notes and debentures	(298,015)	(549,454)	(407,580)
Issuance of Preferred Stock	1,800,000	--	--
Issuance of B Common Stock	--	--	317,987
Payment of deferred financing costs	(18,106)	(22,659)	(5,869)
Payment of premium on redemption of notes	(10,054)	(19,753)	(4,078)
Other, net	6,665	924	(18)
	-----	-----	-----
Net cash flow from financing activities	1,814,781	34,559	30,897
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	1,833,953	19,706	(14,339)
Cash and cash equivalents at beginning of year	48,428	28,722	43,061
	-----	-----	-----
Cash and cash equivalents at end of year	\$1,882,381	\$ 48,428	\$ 28,722
	=====	=====	=====

See notes to consolidated financial statements.

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VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS

-----  
OF SHAREHOLDERS' EQUITY  
-----

(Thousands of dollars)

	Preferred Stock -----	A Common Shares -----	Stock Amount -----	B Common Shares -----	Stock Amount -----	Paid-in Capital -----	Accumulated Deficit -----
Viacom Inc: -----							
December 31, 1990	--	53,365,870	\$ 534	53,365,870	\$ 534	\$526,563	\$(161,468)
Issuance of B Common Stock	--	--	--	13,492,484	135	382,780	--
Exercise of stock options	--	583	--	583	--	33	--
Conversion of 5.75% debentures	--	700	--	700	--	39	--
Net loss	--	--	--	--	--	--	(49,657)
December 31, 1991	--	53,367,153	534	66,859,637	669	909,415	(211,125)
B Common Stock issued as satisfaction of LTIP liability	--	--	--	177,897	2	6,892	--
Exercise of stock options	--	13,187	--	32,104	--	1,157	--
Conversion of 5.75% debentures	--	50	--	50	--	2	--
Net earnings	--	--	--	--	--	--	48,965
December 31, 1992	--	53,380,390	534	67,069,688	671	917,466	(162,160)
Issuance of Series A and Series B Preferred Stock	\$1,800,000	--	--	--	--	(5,363)	--
Exercise of stock options	--	68,935	1	277,443	2	8,761	--
Net earnings	--	--	--	--	--	--	170,952
Preferred Stock dividend requirements	--	--	--	--	--	--	(12,750)
December 31, 1993	\$1,800,000	53,449,325	\$535	63,347,131	\$673	\$920,864	\$ (3,958)

See notes to consolidated financial statements.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1) SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation -Viacom Inc. (together with its consolidated subsidiaries, unless the context otherwise requires, "Viacom Inc.") is a holding company whose principal asset is the common stock of Viacom International Inc. (together with its consolidated subsidiaries, unless the context otherwise requires, the "Company"). The Company is a diversified entertainment and communications company with operations in four principal segments: Networks, Entertainment, Cable Television and Broadcasting.

The primary differences between Viacom Inc.'s and the Company's financial statements include the following factors: a) the capitalization of the two companies -- the Company's shareholders' equity reflects the contribution to capital of Viacom Inc.'s exchangeable preferred stock, which was exchanged for 15.5% Junior Subordinated Exchange Debentures due 2006 (the "Exchange Debentures") on March 31, 1989 which in turn were fully redeemed during 1991; b) during 1993, Viacom Inc. issued \$1.8 billion of 5% cumulative convertible preferred stock (see Note 6) and declared related preferred stock dividends of \$12.8 million, c) certain general and administrative expenses recorded by Viacom Inc. of \$5.0 million (1993), \$9.0 million (1992) and \$12.9 million (1991), which include transactions associated with the long-term deferred incentive compensation plans; and d) Viacom Inc. recorded net interest income of \$3.1 million (1993) and net interest expense of \$45.2 million (1991).

Certain amounts reported on the balance sheet and statements of cash flows for prior years have been reclassified to conform with the current presentation.

Principles of Consolidation - The consolidated financial statements include the accounts of Viacom Inc., the Company and all investments of more than 50% in subsidiaries and other entities. All significant intercompany transactions have been eliminated. Investments in affiliated companies of more than 20% but less than or equal to 50% are accounted for under the equity method. Investments of 20% or less are accounted for under the cost method. In 1993, the fiscal year end for certain foreign operations was changed from October 31 to December 31.

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

Program Rights - The Company acquires rights to exhibit programming on its broadcast stations or cable networks, and produces its own programs. The costs incurred in acquiring and producing programs are capitalized and amortized over the license period or over the estimated exhibition life of the program. Costs related to the production of programs are either charged to earnings or capitalized to the extent they are estimated to be recoverable from future revenue. Program rights and the related liabilities are recorded at the gross amount of the liabilities when the license period has begun, the cost of the program is determinable and the program is accepted and available for airing.

Program Distribution - Fees for distributing television shows and feature films are recognized upon billing over contractual periods generally ranging from one to five years, except that such fees for internally produced programs are recognized when such programs are delivered and fees for barter advertising revenue are recognized when the programs are available and a noncancellable contract has been executed. Receivables reflect gross billings, which include the owners' share. Amounts due to owners are recorded as liabilities in "Owners' share of distribution revenue" or are deducted from "Distribution fees advanced and committed, current."

Minimum guarantees to owners are recorded as liabilities and are liquidated by payments in accordance with contract terms. A corresponding asset is recorded as "Distribution fees advanced and committed" and is reduced by the owners' share of billings until fully recovered or amortized as operating expenses against the Company's share of total estimated billings based on the ratio of total estimated costs to total estimated billings.

Prepaid distribution costs incurred on behalf of the owners are recovered from the owners' share of billings or amortized as operating expenses against the Company's share of total estimated billings based on the ratio of total estimated costs to total estimated billings.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

All amortization estimates are reviewed periodically by management and are adjusted prospectively. Minimum guarantees or other costs estimated not to be recoverable from total estimated billings are expensed in the period any shortfall is determined.

Depreciation and Amortization - Depreciation is computed principally by the straight-line method over estimated useful lives ranging principally from 3 to 15 years. Capitalized lease amortization of \$5.5 million (1993) and \$3.0 million (1992) is included in depreciation expense. Depreciation expense was \$92.8 million (1993), \$81.5 million (1992) and \$70.1 million (1991).

Intangibles resulting from business acquisitions are generally amortized over 40 years. Accumulated amortization relating to intangibles at December 31 was \$412.5 million (1993) and \$361.1 million (1992) .

Equity in Loss of Affiliated Companies - Equity in loss of affiliated companies is primarily comprised of the Company's one-third interest in Lifetime, the 50% interest in Comedy Central, the 50% interest in Nickelodeon (UK) during 1993 and the 49.99% interest in MTV EUROPE prior to August 30, 1991. (See Note 3.)

Provision for Doubtful Accounts - The provision for doubtful accounts charged to expense was \$16.7 million (1993), \$9.4 million (1992) and \$15.9 million (1991).

Net Earnings (Loss) per Common Share - Earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the year. The effect of the assumed exercise of stock options and conversion of convertible debentures is not material for each of the years presented. For 1993, the assumed conversion of the Preferred Stock (as defined in Note 2) would have an antidilutive effect on fully-diluted earnings per common share. Therefore, the effects of such assumption are not reflected in net earnings (loss) per common share.

Interest Rate Protection Agreements - The amount to be paid or received is accrued as interest rates change and is recognized over the life of the agreements as an adjustment to interest expense.

## 2) SUBSEQUENT EVENTS

On March 11, 1994, Viacom Inc. acquired, pursuant to a tender offer (the "Paramount Offer"), 61,657,432 shares of Paramount common stock, constituting a majority of the shares outstanding, at a price of \$107 per share in cash. The Paramount Offer was financed by (i) the sale of Preferred Stock (see "Note 6"), proceeds of which are reflected as cash and cash equivalents on the balance sheet as of December 31, 1993, (ii) the sale of Viacom Class B Common Stock to Blockbuster and (iii) borrowings under a credit agreement (as described below). The Paramount Offer was made pursuant to the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 (the "Paramount Merger Agreement") between Viacom Inc. and Paramount. Paramount will become a wholly owned subsidiary of Viacom Inc. (the "Paramount Merger") at the effective time of a merger between Paramount and a subsidiary of Viacom Inc. (the "Paramount Effective Time") which is expected to occur in the second quarter of 1994. Pursuant to the Paramount Merger Agreement, each share of Paramount common stock outstanding at the time of such merger (other than shares held in the treasury of Paramount or owned by Viacom Inc. and other than shares held by any stockholders who shall have demanded and perfected appraisal rights) 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 8% exchangeable subordinated debentures of Viacom Inc., (iii) 0.93065 of a contingent value right ("CVR"), (iv) 0.5 of a warrant to purchase one share of Viacom Class B Common Stock at any time prior to the third anniversary of the Paramount Merger at a price of \$60 per share, and (v) 0.3 of a warrant to purchase one share of Viacom Class B Common Stock at any time prior to the fifth anniversary of the Paramount Merger at a price of \$70 per share. If the debentures are issued prior to the completion of the proposed merger of Viacom Inc. and Blockbuster, the debentures will be exchangeable, at the option of Viacom Inc., into 5% exchangeable preferred stock of Viacom Inc. on or after January 1, 1995 if the proposed merger with Blockbuster has not previously been consummated.



VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Each CVR will represent 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 (see defined terms in following paragraph). The CVRs will mature on the first anniversary of the Paramount Effective Time (the "Maturity Date"); provided, however, that Viacom Inc. may, at its option, (i) extend the Maturity Date to the second anniversary of the Paramount Effective Time (the "First Extended Maturity Date") or (ii) extend the First Extended Maturity Date to the third anniversary of the Paramount Effective Time (the "Second Extended Maturity Date"). Viacom Inc., at its option, may pay any amount due under the terms of the CVRs in cash or in the equivalent value of registered securities of Viacom Inc., including without limitation, common stock, preferred stock, notes, or other securities.

The "Minimum Price" means (a) at the Maturity Date, \$36, (b) at the First Extended Maturity Date, \$37 and (c) at the Second Extended Maturity Date, \$38. Target Price means (a) at the Maturity Date, \$48, (b) at the First Extended Maturity Date, \$51, and (c) at the Second Extended Maturity Date, \$55. The "Current Market Value" means the average market price of Viacom Class B Common Stock for a specified period.

On January 7, 1994, Viacom Inc. and Blockbuster entered into an agreement and plan of merger (the "Blockbuster Merger Agreement") pursuant to which Blockbuster will be merged with and into Viacom Inc. (the "Blockbuster Merger") subject to approval. At the effective time of the Blockbuster Merger, each share of Blockbuster common stock outstanding at the time of the Blockbuster Merger (other than shares held in the treasury of Blockbuster or owned by Viacom Inc. and other than shares held by any stockholders who shall have demanded and perfected appraisal rights, if available) 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 the exact fraction of a share being dependent on the market prices of Viacom Class B Common Stock during the year following the effective time of the Blockbuster Merger, and with the right to receive such additional fraction of a share to be evidenced by one variable common right ("VCR"). The VCRs mature on the first anniversary of the Blockbuster Merger ("VCR Conversion Date").

The mergers pursuant to the Paramount Merger Agreement and Blockbuster Merger Agreement (collectively, the "Mergers") have been unanimously approved by the Boards of Directors of each of the respective companies. The obligations of Viacom Inc., Blockbuster and Paramount to consummate the mergers are subject to various conditions, including obtaining requisite stockholder approvals. Viacom Inc. intends to vote its shares of Paramount in favor of the merger and NAI has agreed to vote its shares of Viacom Inc. in favor of the Mergers; therefore, stockholder approval of the Paramount Merger is assured, and approval by Viacom Inc. of the Blockbuster Merger is also assured.

The Mergers will be accounted for under the purchase method of accounting. The unaudited condensed pro forma data for the year ended or at December 31, 1993 presented below assumes the Mergers occurred on January 1, 1993 for statement of operations data or at December 31, 1993 for balance sheet data. Intangible assets are expected to be amortized over 40 years on a straight-line basis. The unaudited pro forma information is not necessarily indicative of the combined results of operations or financial position of Viacom Inc., Paramount and Blockbuster (the "Combined Company") following the Mergers that would have occurred if the completion of the Mergers had occurred on the dates previously indicated nor are they necessarily indicative of future operating results of the Combined Company.

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Year Ended or at  
December 31, 1993  
-----  
(Millions of dollars)  
(Unaudited)

Results of operations data:	
Revenues	\$9,624.1
Earnings from operations	\$ 887.9
Net earnings before extraordinary items, cumulative effect of changes in accounting principles and preferred stock dividends	\$ 135.6
Net earnings attributable to common stock before extraordinary items and cumulative effect of changes in accounting principles	\$ 75.6
Primary earnings per common share before extraordinary items and cumulative effect of changes in accounting principles	\$ .18
Balance sheet data:	
Total assets	\$24,377.3
Long-term debt, including current maturities	\$ 9,998.8
Shareholders' equity:	
Preferred	\$ 1,200.0
Common	\$ 8,844.8

On March 10, 1994, Blockbuster purchased approximately 22.7 million shares of Viacom Class B Common Stock for an aggregate purchase price of \$1.25 billion, or \$55 per share. If (with certain exceptions) the Blockbuster Merger Agreement is terminated and in the event that Viacom Class B Common Stock trades (for a specified period) at a level below \$55 per share during the one year period after such termination, Viacom Inc. may be obligated to make certain payments of up to a maximum of \$275 million, at its option, in cash or securities, or to sell certain assets to Blockbuster. The Viacom Class B Common Stock purchased by Blockbuster will be canceled upon consummation of the Blockbuster Merger.

On February 15, 1994, Blockbuster entered into a credit agreement with certain financial institutions named therein, pursuant to which such financial institutions have advanced to Blockbuster, on an unsecured basis, an aggregate of \$1.0 billion to finance a portion of the purchase of the shares under the Subscription Agreement (the "Blockbuster Facility"). The Blockbuster Facility contains certain 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 by Blockbuster under the Blockbuster Facility.

On March 11, 1994, Viacom Inc. borrowed \$3.7 billion under a credit agreement dated as of November 19, 1993, as amended on January 4, 1994 and 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 (the "Merger Credit Agreement").

The Merger Credit Agreement provides that, in order to pay for the Paramount 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 Merger Credit Agreement provides that Viacom Inc. may elect to borrow at either the Base Rate or the Eurodollar Rate (each as defined below), subject to certain limitations. The "Base Rate" will be the higher of (i) the Citibank N.A., 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 Inc.'s senior unsecured long-term debt is rated by Standard & Poor's Corporation or Moody's Investors Service, Inc., and (ii) thereafter, a variable

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rate ranging from 0.25% to 0.9375% dependent on the senior unsecured long-term debt rating assigned to Viacom Inc. The Merger Credit Agreement provides that Viacom Inc. will pay each bank a facility fee on such bank's commitment until November 18, 1994.

The Merger Credit Agreement contains certain covenants which, among other things require Viacom Inc. to meet certain financial ratios.

As of December 31, 1993, Viacom Inc. has promissory notes outstanding in the aggregate amount of \$26 million, in order to finance expenses associated with the Mergers and expects to obtain additional financing as required to finance such expenses.

### 3) ACQUISITIONS AND VENTURES

On November 1, 1993, the Company exchanged KIKK-AM/FM, Houston, Texas, for Westinghouse Broadcasting Company, Inc.'s WCXR-FM and WCPT-AM, Washington, D.C., and cash.

On June 16, 1993, the Company purchased KXEZ-FM (formerly KQLZ-FM), Los Angeles, California from Westwood One Stations Group-LA, Inc. for \$40 million in cash and certain other consideration. The Company sold KXEZ-FM to Viacom Inc. in exchange for a \$40 million promissory note.

On May 5, 1993, the Company completed the purchase of privately held ICOM Simulations, Inc.

On March 31, 1993, the Company increased its percentage of ownership in StarSight Telecast Inc. ("StarSight"). On August 5, 1993, StarSight completed an initial public offering of 3,105,000 shares of common stock. On September 16, 1993, the Company exercised a warrant to purchase 833,333 shares of StarSight common stock at a cost of \$5.625 per share. In November 1993, the Company transferred its ownership percentage in StarSight to a consolidated affiliate of the Company. As a result of these transactions, the affiliate's of the Company's percentage ownership of StarSight is approximately 21%. The investment in StarSight is accounted for under the equity method.

In December 1992, the Company entered into a 50-50 joint venture called Nickelodeon (UK) with a subsidiary of British Sky Broadcasting Limited. Nickelodeon (UK) began airing on September 1, 1993. The Company's investment is accounted for under the equity method.

The Company exchanged KHOW-AM and FM, Denver, Colorado for Noble Broadcast Group, Inc.'s KNDD-FM, Seattle, Washington effective December 28, 1992.

On August 30, 1991, Viacom Inc. increased its interest in MTV EUROPE to 100% through the purchase of the 50.01% interest held by an affiliate of Mirror Group Newspapers. The approximate value of the purchase was \$65.0 million, which included intangibles of approximately \$61.6 million. As consideration for the sale, Viacom Inc. issued 2,210,884 shares of Viacom Class B Common Stock (See Note 6).

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4) BANK FINANCING AND DEBT

Total debt, which includes short-term and long-term debt, consists of the following:

	December 31, 1993	December 31, 1992
	-----	-----
	(Thousands of dollars)	
Notes payable to banks (a)	\$1,983,275	\$1,648,984
11.80% Senior Subordinated Notes due 1998	--	298,000
9.125% Senior Subordinated Notes due 1999 (b)	150,000	150,000
8.75% Senior Subordinated Reset Notes due 2001 (c)	100,000	100,000
10.25% Senior Subordinated Notes due 2001 (d)	200,000	200,000
5.75% Convertible Subordinated Debentures due 2001	15	30
	-----	-----
	2,433,290	2,397,014
Less current portion	55,004	--
	-----	-----
	\$2,378,286	\$2,397,014
	=====	=====

(a) -- At December 31, 1993, there were aggregate borrowing facilities of \$1.9 billion and \$300 million under (i) an unsecured credit agreement guaranteed by Viacom Inc. (amended and restated as of January 17, 1992, (as amended, the "Credit Agreement") among the Company the named banks ("Banks"), Citibank, N.A. ("Citibank") as agent and The Bank of New York ("BONY") as co-agent and (ii) an unsecured credit agreement, dated June 2, 1993, among the Company and the named banks and BONY and Citibank as agents (the "Loan Facility Agreement"). The Loan Facility Agreement has a 364-day term and is identical to the Credit Agreement in all other material terms and conditions. Borrowings of \$1.765 billion were outstanding under the Credit Agreement as of December 31, 1993, including \$274 million aggregate principal amount assumed by five subsidiaries of the Company ("Subsidiary Obligors"). Borrowings of \$150 million were outstanding under the Loan Facility Agreement as of December 31, 1993, \$135 million of which were classified as long-term.

The following is a summary description of the amended and restated Credit Agreement. The description does not purport to be complete and should be read in conjunction with the Credit Agreement.

The Credit Agreement provides for three facilities:

- Facility A - \$700 million under a term loan having a final maturity of June 30, 1999;
- Facility B - \$926 million under a revolver, which converts on January 1, 1995 into a term loan having a final maturity of June 30, 1999; and
- Facility B-1 - \$274 million under a term loan having a final maturity of June 30, 1999.

The interest rate on all loans made under the three facilities is based upon Citibank, N.A.'s base rate, the domestic certificate of deposit rate or the London Interbank Offered Rate and is affected by the Company's leverage ratio. At December 31, 1993, the London Interbank Offered Rates (upon which the Company's borrowing rate was based) for borrowing periods of one month and two months were 3.25% and 3.3125%, respectively. The Company is permitted to issue commercial paper with a maturity at the time of issuance not to exceed nine months, provided that following each issuance of commercial paper, (i) the aggregate face amount of commercial paper outstanding shall not exceed \$500 million less the aggregate amount of competitive bid rate borrowings (described

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below), outstanding at such time and (ii) the aggregate amount of all Facility B loans and competitive bid rate loans outstanding, together with the aggregate face amount of commercial paper outstanding, shall not exceed \$926 million. The Company is also permitted to make short-term competitive bid rate borrowings from the Banks until December 1, 1994, provided that following the making of each proposed competitive bid rate borrowing, (i) the aggregate amount of the competitive bid rate loans outstanding shall not exceed \$500 million less the aggregate face amount of commercial paper outstanding and (ii) the aggregate amount of all Facility B loans and competitive bid rate loans outstanding, together with the aggregate face amount of commercial paper outstanding, shall not exceed \$926 million.

The Company and Subsidiary Obligors are required to repay the principal outstanding under the Credit Agreement in quarterly payments equal to percentages of the original aggregate principal amount with respect to the Facility A loans and Facility B-1 loans, and of the outstanding principal amount with respect to the Facility B loans, under the Credit Agreement, in the amount of 5% for the period commencing January 2, 1995 through and including January 2, 1999; and 7.5% on April 1, 1999 and on June 30, 1999.

The Company may prepay at any time a portion or all of the principal outstanding under the Credit Agreement. Any such optional prepayments shall be applied to the remaining installments of Facility A and Facility B loans in the order that the Company designates. The Company is required to make mandatory prepayments upon receipt of net cash sale proceeds in connection with permitted sales of assets not in the ordinary course of business. All such prepayments shall be applied until December 31, 1994 to reduce the Facility B loans outstanding; provided, however, that any amounts so repaid may be reborrowed prior to December 31, 1994. All such prepayments after December 31, 1994 shall be applied pro rata against the remaining installments of first, the Facility A loans and second, the Facility B loans. In the event of a sale of the stock or substantially all of the assets of any Subsidiary Obligor, the Facility B-1 loan of such Subsidiary Obligor shall be repaid in full; provided, however, that upon such prepayment prior to December 31, 1994, the Facility B commitment of each Facility B Bank shall be increased by an amount equal to the principal amount of such Facility B Bank's Facility B-1 loan prepaid as a result of such prepayment and such amounts may be borrowed by the Company prior to December 31, 1994. The Company is required to prepay principal outstanding under the Credit Agreement with the proceeds of certain issuances of unsecured senior debt in an amount equal to the proceeds so received, together with accrued interest to the date of such prepayment on the principal amount prepaid, with such prepayments applied against remaining installments of first, the Facility A loans and second, the Facility B loans.

The Credit Agreement contains certain covenants which, among other things, require the Company to maintain certain financial ratios and impose on the Company and its subsidiaries certain limitations on (i) the incurrence of indebtedness or the guarantee or assumption of indebtedness of another; (ii) the creation or incurrence of mortgages, pledges or security interests on the property or assets of the Company or any of its subsidiaries in order to secure debt or the sale of assets of the Company or its subsidiaries; (iii) the merger or consolidation of the Company with any person or other entity; (iv) the incurrence of capitalized leases and purchase money indebtedness; (v) the payment of cash dividends or the redemption or repurchase of any capital stock of the Company; and (vi) investments and acquisitions.

The Credit Agreement also contains certain customary events of default. The Credit Agreement also provides that it is an event of default if National Amusements, Inc. ("NAI") fails to own at least 51% of the outstanding voting stock of Viacom Inc. or Viacom Inc. fails to own at least 67% of the outstanding voting stock of the Company.

Under the restrictions contained in the Credit Agreement, the Company is prohibited from (i) paying any dividends on its stock to Viacom Inc. for the purpose of enabling Viacom Inc. to pay any dividend on its common stock, or (ii) making any other dividend payments to Viacom Inc. (other than for certain limited specified purposes, including the satisfaction of Viacom Inc.'s obligations under the LTIP), unless its total leverage ratio is less than a specified amount.

The Company is required to pay a commitment fee based on the aggregate average daily unborrowed portion of the Facility B commitment, with any amounts outstanding under competitive bid rate loans and commercial paper being deemed unborrowed for the purpose of calculating the commitment fee. The Company also is required to pay certain agency fees to the agent. The Credit Agreement does not require compensating balances.

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On January 4, 1993, Viacom Inc. borrowed \$42.2 million from BONY pursuant to the Term Loan Agreement. The interest rate in the Term Loan Agreement is based upon BONY's prime rate or the London Interbank Offered Rate. Viacom Inc. repaid \$13.9 million of debt under the Term Loan Agreement on January 15, 1994, the first scheduled maturity date. The remaining \$28.3 million under the Term Loan Agreement matures on January 15, 1995.

Viacom Inc. may prepay at any time a portion or all of the principal amount outstanding under the Term Loan Agreement. Any such optional prepayments shall be applied to reduce the principal installment due January 1995 and shall include all accrued interest on the amount of principal prepaid. Viacom Inc. shall be obligated to prepay the loan in the amount of any dividends received from the Company.

The Term Loan Agreement contains certain covenants which impose certain limitations on (i) the incurrence of indebtedness and (ii) payment of cash dividends or the redemption or repurchase of any capital stock of Viacom. The Term Loan Agreement also contains certain customary events of default. The Term Loan Agreement has been amended to allow Viacom Inc. to complete the Paramount Offer and the Paramount Merger.

The indebtedness under the Credit Agreement, Loan Facility Agreement and Term Loan Agreement bear interest at floating rates, causing the Company to be sensitive to changes in prevailing interest rates. The Company enters into interest rate protection agreements with off-balance sheet risk in order to reduce its exposure to changes in interest rates on its variable rate long-term debt. These interest rate protection agreements include interest rate swaps and interest rate caps. At December 31, 1993, the Company and Viacom Inc. had interest rate protection agreements outstanding with commercial banks, with respect to \$1.1 billion of indebtedness under the Credit Agreement and \$42.2 million under the Term Loan Agreement. These agreements effectively change the Company's interest exposure under the Credit Agreement to a ceiling of 5.64% on the interest rate caps, and under the Term Loan Agreement to a fixed weighted average rate of 6.65% on interest rate swaps. The interest rate protection agreements are in effect for a fixed period of time. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties.

The Company had commercial paper outstanding of \$60.9 million as of December 31, 1993.

The Company also has aggregate money market facilities of \$40 million, all of which was available at December 31, 1993.

(b) -- On March 4, 1992, the Company issued \$150 million aggregate principal amount of 9.125% Senior Subordinated Notes ("9.125% Notes") due August 15, 1999. Interest is payable semiannually on February 15 and August 15, commencing August 15, 1992. The 9.125% Notes may not be redeemed prior to February 15, 1997. They are redeemable at the option of the Company, in whole or in part, during the 12 month period beginning February 15, 1997 at a redemption price of 102.607% of the principal amount, during the 12 month period beginning February 15, 1998 at 101.304% of the principal amount, and on or after February 15, 1999 at 100% of the principal amount. Any such redemption will include accrued interest to the redemption date. The 9.125% Notes are not subject to any sinking fund requirements.

(c) -- On May 28, 1992, the Company issued \$100 million aggregate principal amount of 8.75% Senior Subordinated Reset Notes ("8.75% Reset Notes") due on May 15, 2001. Interest is payable semiannually on May 15 and November 15, commencing November 15, 1992. On May 15, 1995 and May 15, 1998, unless a notice of redemption of the 8.75% Reset Notes on such date has been given by the Company, the interest rate on the 8.75% Reset Notes will, if necessary, be adjusted from the rate then in effect to a rate to be determined on the basis of market rates in effect on May 5, 1995 and on May 5, 1998, respectively, as the rate the 8.75% Reset Notes should bear in order to have a market value of 101% of principal amount immediately after the resetting of the rate. In no event will the interest rate be lower than 8.75% or higher than the average three year treasury rate (as defined in the indenture) multiplied by two. The interest rate reset on May 15, 1995 will remain in effect on the 8.75% Reset Notes through and including May 15, 1998 and the interest rate reset on May 15, 1998 will remain in effect on the 8.75% Reset Notes thereafter. The 8.75% Reset Notes are redeemable at the option of the Company, in whole but not in part, on May 15, 1995 or May 15, 1998, at a redemption price of 101% of

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principal amount plus accrued interest to, but not including, the date of redemption. The 8.75% Reset Notes are not subject to any sinking fund requirements.

(d) -- On September 15, 1991, the Company issued \$200 million aggregate principal amount of 10.25% Senior Subordinated Notes ("10.25% Notes") due September 15, 2001. Interest is payable semiannually on March 15 and September 15, commencing March 15, 1992. The 10.25% Notes are not redeemable by the Company prior to maturity and are not subject to any sinking fund requirements.

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The extraordinary losses and related tax benefits associated with the extinguishment of certain debt of Viacom Inc. and the Company are summarized as follows:

	11.80%	11.50%			
	Notes	Reset Notes	Discount Debentures	Exchange Debentures	Total
	-----	-----	-----	-----	-----
	(Thousands of dollars)				
Year ended December 31, 1993:					
-----					
Extraordinary loss (a)	\$14,953	\$ --	\$ --	\$ --	\$14,953
Tax benefit	6,086	--	--	--	6,086
	-----	-----	-----	-----	-----
Extraordinary loss, net of tax	\$ 8,867	\$ --	\$ --	\$ --	\$ 8,867
	=====	=====	=====	=====	=====
Year ended December 31, 1992:					
-----					
Extraordinary loss (b)	\$ --	\$5,800	\$22,600	\$ --	\$28,400
Tax benefit	--	2,361	8,919	--	11,280
	-----	-----	-----	-----	-----
Extraordinary loss, net of tax	\$ --	\$3,439	\$13,681	\$ --	\$17,120
	=====	=====	=====	=====	=====
Year ended December 31, 1991:					
-----					
Extraordinary loss (c)	\$ --	\$ --	\$ 3,761	\$ 947	\$ 4,708
Tax benefit	--	--	1,284	323	1,607
	-----	-----	-----	-----	-----
Extraordinary loss, net of tax	\$ --	\$ --	\$ 2,477	\$ 624	\$ 3,101
	=====	=====	=====	=====	=====

(a) On July 15, 1993, the Company redeemed all of the \$298 million principal amount outstanding of the 11.80% Senior Subordinated Notes ("11.80% Notes") at a redemption price equal to 103.37% of the principal amount plus accrued interest to July 15, 1993.

(b) On June 18, 1992, the Company redeemed all of the \$356.5 million principal amount outstanding of the 14.75% Senior Subordinated Discount Debentures ("Discount Debentures") at a redemption price equal to 105% of the principal amount plus accrued interest to June 18, 1992.

On March 10, 1992, the Company redeemed all of the \$193 million principal amount outstanding of its 11.50% Senior Subordinated Extendible Reset Notes ("11.50% Reset Notes") at a redemption price equal to 101% of the principal amount plus accrued interest to the redemption date.

(c) During December 1991, the Company purchased \$43 million of Discount Debentures at an average price of 107.375% of their principal amount plus accrued interest.

On August 30, 1991 and October 31, 1991, Viacom Inc. redeemed \$250 million and \$152 million, respectively, constituting the entire principal amount of the Exchange Debentures.

The Company borrowed the funds necessary for each of these redemptions under its bank credit facilities existing in the respective periods.

NAI, Sumner M. Redstone and the Company each have purchased on the open market and may in the future continue to purchase on the open market or in privately negotiated transactions certain debt securities of the Company. During 1993, there were no purchases of debt securities made by NAI, Sumner M. Redstone or the Company. During 1992, Sumner M. Redstone purchased directly and beneficially \$350,000, \$605,000, \$15,000 and \$200,000 of 11.50% Senior



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Subordinated Extendible Reset Notes, 9.125% Senior Subordinated Notes, 10.25% Senior Subordinated Notes and 8.75% Senior Subordinated Reset Notes, respectively. During 1991, NAI and Sumner M. Redstone purchased \$3,110,000 and \$869,000 of 11.80% Senior Subordinated Notes, respectively. During 1991, NAI purchased \$311,000 of the 11.50% Senior Subordinated Extendible Reset Notes. During December 1991, the Company purchased \$43 million of Discount Debentures at an average price of 107.375% of their principal amount plus accrued interest.

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

	Year Ended December 31,		
	----- 1993	1992	1991 -----
	(Thousands of dollars)		
Interest Incurred	\$154,509	\$195,725	\$298,591
Interest Income	\$ 9,184	\$ 1,119	\$ 626
Capitalized Interest	\$ 372	\$ 502	\$ 513

Scheduled maturities of long-term debt of the Company through December 31, 1998, assuming full utilization of the \$1.9 billion commitment under the Credit Agreement and \$300 million commitment under the Loan Facility, are \$300 million (1994), \$380 million (1995), \$380 million (1996), \$380 million (1997) and \$380 million (1998). Scheduled maturities of debt of Viacom Inc. under the Term Loan Agreement are \$13.9 million (repaid on January 15, 1994) and \$28.3 million (1995). (See Note 2 regarding Paramount Merger financing and scheduled maturity of debt.)

5) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's carrying value of the financial instruments approximates fair value, except for differences with respect to the senior subordinated debt and certain differences related to other financial instruments which are not significant. The carrying value of the senior subordinated debt is \$450 million and the fair value, which is estimated based on quoted market prices, is \$486 million.

6) SHAREHOLDERS' EQUITY

On October 22, 1993, Blockbuster purchased 24 million shares of cumulative convertible preferred stock, par value \$.01 per share, of Viacom Inc. ("Series A Preferred Stock") for \$600 million. On November 19, 1993, NYNEX Corporation ("NYNEX") purchased 24 million shares of cumulative convertible preferred stock, par value \$.01 per share, of Viacom Inc. ("Series B Preferred Stock," collectively with the Series A Preferred Stock, "Preferred Stock") for \$1.2 billion. Series A Preferred Stock and Series B Preferred Stock have liquidation preferences of \$25 per share and \$50 per share, respectively. The Preferred Stock has an annual dividend rate of 5%, is convertible into shares of Viacom Class B Common Stock at a conversion price of \$70 and does not have voting rights other than those required by law. The Preferred Stock is redeemable by Viacom Inc. at declining premiums after five years. The Preferred Stock purchased by Blockbuster will be canceled upon consummation of the Blockbuster Merger.

On August 30, 1991, Viacom Inc. issued 2,210,884 shares of Viacom Class B Common Stock to an affiliate of Mirror Group Newspapers in exchange for the remaining 50.01% interest in MTV EUROPE (See Note 3). On September 17, 1991, all such shares of B Common Stock were sold by Mirror Group Newspapers in an underwritten public offering.

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On June 11, 1991, Viacom Inc. completed the sale of 10,781,600 shares of Viacom Class B Common Stock in a registered public offering and the private placement of an additional 500,000 shares of Viacom Class B Common Stock with NAI. Viacom Inc. realized proceeds, net of underwriting discounts and other related expenses, of approximately \$317.7 million from the sale and private placement.

NAI holds approximately 76.3% and the public holds approximately 23.7% of outstanding Viacom Inc. Common Stock as of December 31, 1993. NAI's percentage of ownership consists of 85.2% of the outstanding Viacom Class A Common Stock and 69.1% of the outstanding Viacom Class B Common Stock, as of December 31, 1993. Pursuant to a purchase program initiated in August 1987, NAI announced its intention to buy, from time to time, up to an additional 3,000,000 shares of Viacom Class A Common Stock and 2,423,700 shares of Viacom Class B Common Stock. As of December 31, 1993, NAI had acquired an aggregate of 3,374,300 shares of Common Stock, consisting of 1,466,200 shares of Viacom Class A Common Stock and 1,908,100 shares of Viacom Class B Common Stock, pursuant to this buying program. On August 20, 1993, NAI ceased making purchases of Common Stock.

Under the restrictions contained in the Credit Agreement, the Company is prohibited from (i) paying any dividends on its stock to Viacom Inc. for the purpose of enabling Viacom Inc. to pay any dividend on its common stock, or (ii) making any other dividend payments to Viacom Inc. (other than for certain limited specified purposes), unless its total leverage ratio is less than a specified amount.

Long-Term Incentive Plans - The purpose of the Long-Term Incentive Plans (the "Plans"), which consist of the Long-Term Incentive Plan ("LTIP") and the Long-Term Management Incentive Plan ("LTMIP"), is to benefit and advance the interests of Viacom Inc. by rewarding certain key employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future. The Plans provide for grants of equity-based interests pursuant to awards of phantom shares, stock options, stock appreciation rights, restricted shares or other equity-based interests ("Awards"), and for subsequent payments of cash with respect to phantom shares or stock appreciation rights based, subject to certain limits, on their appreciation in value over stated periods of time.

During December 1992, a significant portion of the liability associated with the LTIP was satisfied through the cash payment of \$68.6 million and the issuance of 177,897 shares of Viacom Class B Common Stock valued at \$6.9 million.

The LTMIP provides that an aggregate of 7,000,000 Awards may be granted over five years. As of December 31, 1993, there were 1,994,020 Awards available for future grant, and 4,616,155 Awards outstanding consisting of phantom shares for 643,098 shares of common stock at an average grant price of \$29 and vesting over three years from the date of grant, and stock options for 3,973,057 shares of common stock with exercise prices ranging from \$20.75 to \$55.25 and vesting over four years from the date of grant. The stock options expire 10 years after the date of grant.

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A summary of stock option activity follows:

	Number of Shares -----	Option Price range -----
Balance at December 31, 1991	3,148,357	\$20.75 to \$29.375
Granted	643,740	31.875
Exercised	(45,291)	20.75 to 29.00
Canceled	(189,215)	20.75 to 29.375
	-----	
Balance at December 31, 1992	3,557,591	20.75 to 31.875
Granted	856,990	43.25 to 55.25
Exercised	(346,378)	20.75 to 31.875
Canceled	(95,146)	20.75 to 55.25
	-----	
Balance at December 31, 1993	3,973,057	\$20.75 to \$55.25
	=====	
Available for future grant:		
December 31, 1993	1,994,020	
December 31, 1992	2,752,854	
Exercisable:		
December 31, 1993	1,448,570	
December 31, 1992	775,040	

Viacom Inc. has reserved 224,410 shares of Viacom Class A Common Stock and 29,462,933 shares of Viacom Class B Common Stock, principally for exercise of stock options and the conversion of the Preferred Stock.

7) INCOME TAXES

The provision for income taxes shown below for the years ended December 31, 1993, 1992 and 1991 represents federal, state and foreign income taxes on earnings before income taxes. The tax benefits relating to losses accounted for under the equity method of accounting, which are shown net of tax on the Company's statement of operations, are \$.6 million (1993), \$2.2 million (1992) and \$6.4 million (1991). See Note 4 for tax benefits relating to the Extraordinary Losses.

During the first quarter of 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109") on a prospective basis and recognized an increase to earnings of \$10.3 million in 1993 as the cumulative effect of a change in accounting principle. SFAS 109 mandates the liability method for computing deferred income taxes.

VIACOM INC. AND  
 VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Earnings before income taxes are attributable to the following jurisdictions:

	Year Ended December 31,		
	1993	1991	1992
	-----	-----	-----
	(Thousands of dollars)		
United States	\$267,804	\$138,215	\$ (2,716)
Foreign	34,012	17,364	10,963
	-----	-----	-----
Total	\$301,816	\$155,579	\$ 8,247
	=====	=====	=====

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

	Year Ended December 31,		
	1993	1992	1991
	-----	-----	-----
	(Thousands of dollars)		
Current:			
Federal	\$89,484	\$47,347	\$29,039
State and local	10,357	17,851	16,618
Foreign	5,610	4,582	5,159
	-----	-----	-----
	105,451	69,780	50,816
Deferred	24,364	15,068	(8,756)
	-----	-----	-----
	\$129,815	\$84,848	\$42,060
	=====	=====	=====

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Year Ended December 31,		
	1993	1992	1991
	-----	-----	-----
Statutory U.S. tax rate	35.0%	34.0%	34.0%
State and local taxes, net of federal tax benefit	5.7	4.7	10.8
Foreign taxes, net of federal tax benefit	.5	1.9	41.3
Amortization of intangibles	7.1	18.2	405.3
Divestiture gain - nontaxable portion	(3.2)	--	--
Property and equipment basis difference	--	7.2	150.0
Other purchase accounting adjustments	--	--	(46.8)
Alternative minimum tax	--	--	(88.7)
Income tax reserve adjustment	(5.0)	(12.9)	--
Effect of changes in statutory rate	.5	--	--
Other, net	2.4	1.4	4.2
	-----	-----	-----
Effective tax rate	43.0%	54.5%	510.1%
	=====	=====	=====

The annual effective tax rate of 43% for 1993 and 54.5% for 1992 includes a reduction of certain prior year tax reserves in the amount of \$22 million and \$20 million, respectively. The reduction is based on management's view concerning the outcome of several tax issues based upon the progress of federal, state and local audits.

As of December 31, 1993, after having given effect to SFAS 109, the Company had total non-current deferred net tax liabilities of \$85.2 million and current deferred net tax assets of \$16.3 million. The deferred net tax assets are deemed to be fully realizable and therefore no valuation allowance has been established. At December 31, 1993, the Company had no net operating loss or investment tax credit carryovers.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following is a summary of the deferred tax accounts in accordance with SFAS 109 for the year ended December 31, 1993.

(Thousands of dollars)

Current deferred tax assets and (liabilities):	
Differences between book and tax recognition of revenue	\$ 17,826
Differences between book and tax expense for program costs	(4,127)
Other differences between tax and financial statement values	2,591
	-----
Gross current deferred net tax assets	16,290
	-----
Noncurrent deferred tax assets and (liabilities):	
Tax depreciation in excess of book depreciation	(69,118)
Reserves in excess of tax expense	39,336
Tax amortization in excess of book amortization	(32,985)
Differences between book and tax expense for program costs	(18,442)
Differences between book and tax recognition of revenue	(3,505)
Other differences between tax and financial statement values	(497)
	-----
Gross noncurrent deferred net tax liabilities	(85,211)
	-----
Total net deferred tax liabilities	\$ (68,921)
	=====

The following table identifies the deferred tax items which were part of the Company's tax provision under previously applicable accounting principles for the years ended December 31, 1992 and 1991:

	Year Ended December 31,	
	-----	-----
	1992	1991
	----	----
	(Thousands of dollars)	
Deferred compensation	\$22,682	\$(3,044)
Depreciation	7,594	4,320
Syndication advance payments	4,118	(771)
Alternative minimum tax	-	(7,821)
Litigation accrual	(13,324)	-
Sale of cable system	(6,850)	-
Other, net	848	(1,440)
	-----	-----
	\$15,068	\$(8,756)
	=====	=====

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

There are no significant temporary differences relating to foreign undistributed earnings or investments in foreign subsidiaries for 1993, 1992 or 1991. Thus, no related deferred taxes have been recorded by the Company for these years.

Viacom Inc. and its subsidiaries file a consolidated federal income tax return and have done so since the period commencing June 11, 1991, the date on which NAI's percentage of ownership of Viacom Inc. was reduced to less than 80%. Prior to such date, Viacom Inc. and the Company filed a consolidated federal income tax return with NAI, and also participated in a tax-sharing agreement with NAI with respect to federal income taxes. The tax-sharing agreement obligated Viacom Inc. and the Company to make payment to NAI to the extent they would have paid federal income taxes on a separate company basis, and entitled them to receive a payment from NAI to the extent losses and credits reduced NAI's federal income taxes.

8) PENSION PLANS, OTHER POSTRETIREMENT BENEFITS AND

POSTEMPLOYMENT BENEFITS

The Company and certain of its subsidiaries have non-contributory pension plans covering substantially all employees. The benefits for these plans are based primarily on an employee's years of service and pay near retirement. All employees are vested in the plans after five years of service. The Company's policy for all pension plans is to fund amounts in accordance with the Employee Retirement Income and Security Act of 1974. Plan assets consist principally of common stocks, marketable bonds and United States government securities.

Net periodic pension cost for the periods indicated included the following components:

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of dollars)		
Service cost - benefits earned during the period	\$5,442	\$4,581	\$3,919
Interest cost on projected benefit obligation	4,106	3,300	2,761
Return on plan assets:			
Actual	(1,777)	(1,421)	(4,434)
Deferred (gain) loss	(1,134)	(752)	2,952
Unrecognized prior service cost	480	454	450
	\$7,117	\$6,162	\$5,648
	=====	=====	=====

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Year Ended December 31,	
	1993	1992
	-----	
	1993	1992
	-----	
	(Thousands of dollars)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation:		
Vested	\$34,440	\$ 24,095
Non-vested	3,177	1,740
	-----	-----
Total	\$37,617	\$ 25,835
	=====	=====
Projected benefit obligation	\$58,845	\$ 43,626
Plan assets at fair value	32,649	28,282
	-----	-----
Plan assets less than the projected benefit obligation	(26,196)	(15,344)
Unrecognized loss during the year	8,104	476
Unrecognized prior service cost	3,743	4,384
Adjustment to recognize minimum liability	(576)	(768)
	-----	-----
Pension liability at year end	\$(14,925)	\$(11,252)
	=====	=====

For purposes of valuing the 1993 and 1992 projected benefit obligation, the discount rate was 7.5% (1993) and 8.25% (1992) and the rate of increase in future compensation was 6% for each of the years. For determining the pension expense for each of the years, the long-term rate of return on plan assets was 9%.

In 1992, the FASB issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting For Postemployment Benefits" ("SFAS 112") which the Company will be required to adopt in 1994. SFAS 112 requires that postemployment benefits be accounted for under the accrual method versus the currently used pay-as-you-go method. The Company is evaluating the impact of SFAS 112 and it is not expected that SFAS 112 will have a significant effect on the Company's consolidated financial position or results of operations.

#### 9) RELATED PARTY TRANSACTIONS

The Company, through the normal course of business, is involved in transactions with affiliated companies. The Company sold programming to affiliates amounting to \$5.5 million (1993), \$3.3 million (1992) and \$.9 million (1991) and paid subscriber fees of \$6.1 million (1993), \$5.4 million (1992) and \$2.0 million (1991). In addition, rent and other expenses of \$5.8 million, \$4.7 million and \$4.0 million were charged to affiliated companies during 1993, 1992 and 1991, respectively. Related party accounts receivable and accounts payable were immaterial for each period.

The Company received approximately \$.9 million (1993) and \$1.3 million (1992) under its tax-sharing agreement with NAI and paid approximately \$.9 million (1991).



VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10) COMMITMENTS AND CONTINGENCIES

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

At December 31, 1993, minimum rental payments under noncancellable leases are as follows:

	Operating Leases ----- (Thousands	Capital Leases ----- of dollars)
1994	\$ 59,746	\$ 9,632
1995	58,946	10,660
1996	56,795	11,689
1997	53,125	12,717
1998	55,373	13,746
1999 and thereafter	390,181	38,764
	-----	-----
Total minimum lease payments	\$674,166	97,208
	=====	
Less amounts representing interest		34,121
		-----
Present value of net minimum payments		\$63,087
		=====

Future minimum capital lease payments and operating lease payments have not been reduced by future minimum sublease rentals of \$26.0 million and \$.5 million, respectively. Rent expense amounted to \$74.2 million (1993), \$67.9 million (1992) and \$64.6 million (1991).

Capital leases represent the financing of transponders of \$67.0 million (1993) and \$26.2 million (1992), net of accumulated amortization of \$7.8 million (1993) and \$3.0 million (1992).

The commitments of the Company for program license fees which are not reflected in the balance sheet as of December 31, 1993, which are estimated to aggregate approximately \$1.9 billion, principally reflect commitments under SNI's exclusive arrangements with several motion picture companies. This estimate is based upon a number of factors. A majority of such fees are payable 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.

During July 1991, the Company received reassessments from 10 California counties of its Cable Division's real and personal property, related to the June 1987 acquisition by NAI, which could result in substantially higher California property tax liabilities. The Company is appealing the reassessments and believes that the reassessments as issued are unreasonable and unsupportable under California law. The Company believes that the final resolution of this matter will not have a material effect on its consolidated financial position or results of operations.

There are various lawsuits and claims pending against the Company. Management believes that any ultimate liability resulting from those actions or claims will not have a material adverse effect on the Company's financial position or results of operations (See Note 14).

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11) FOREIGN OPERATIONS

The consolidated financial statements include the following amounts applicable to foreign subsidiaries:

	Year Ended December 31,		
	----- 1993 -----	----- 1992 -----	----- 1991 -----
	(Thousands of dollars)		
Revenues	\$ 122,200	\$68,193	\$31,786
Earnings before income taxes	\$ 34,012	\$17,364	\$10,963
Net earnings	\$ 33,747	\$16,384	\$ 9,294
Current assets	\$ 54,190	\$47,769	\$38,452
Total assets	\$ 115,744	\$73,817	\$40,422
Total liabilities	\$ 68,728	\$57,441	\$30,897

Total export revenues were \$25.2 million (1993), \$34.9 million (1992) and \$26.7 million (1991).

Foreign currency transaction gains and losses were immaterial in each period presented.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12) BUSINESS SEGMENTS

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of dollars)		
Revenues:			
Networks	\$1,221,200	\$1,058,831	\$ 922,157
Entertainment	209,110	248,335	273,488
Cable Television	415,953	411,087	378,026
Broadcasting	181,778	168,847	159,182
Intercompany elimination	(23,092)	(22,417)	(21,291)
	-----	-----	-----
Total revenues	\$2,004,949	\$1,864,683	\$1,711,562
	=====	=====	=====
Earnings from operations:			
Networks	\$ 272,087	\$ 205,576	\$ 172,296
Entertainment	32,480	59,662	73,214
Cable Television	110,176	122,037	103,954
Broadcasting	42,293	31,956	27,734
Corporate	(72,041)	(71,304)	(64,964)
	-----	-----	-----
Total earnings from operations	\$ 384,995	\$ 347,927	\$ 312,234
	=====	=====	=====
Depreciation and amortization:			
Networks	\$ 44,747	\$ 41,754	\$ 30,123
Entertainment	9,549	6,792	7,160
Cable Television	71,520	68,505	66,604
Broadcasting	23,475	24,509	27,062
Corporate	3,766	3,242	1,915
	-----	-----	-----
Total depreciation and amortization	\$ 153,057	\$ 144,802	\$ 132,864
	=====	=====	=====
Identifiable assets at year end:			
Networks	\$1,794,418	\$1,604,504	\$1,453,643
Entertainment	845,620	829,607	855,357
Cable Television	963,047	972,066	979,668
Broadcasting	744,208	722,023	742,650
Corporate	2,069,575	188,894	157,060
	-----	-----	-----
Total identifiable assets at year end	\$6,416,868	\$4,317,094	\$4,188,378
	=====	=====	=====
Capital expenditures:			
Networks	\$ 35,786	\$ 26,076	\$ 6,170
Entertainment	4,933	7,102	916
Cable Television	79,482	54,596	44,967
Broadcasting	4,886	5,102	3,101
Corporate	9,924	17,346	2,275
	-----	-----	-----
Total capital expenditures	\$ 135,011	\$ 110,222	\$ 57,429
	=====	=====	=====

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13) QUARTERLY FINANCIAL DATA (unaudited):

Summarized quarterly financial data for 1993 and 1992 appears below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	-----	-----	-----	-----	-----
	(Thousands of dollars, except per share amounts)				
1993					
-----					
Revenues	\$470,650	\$495,799	\$508,122	\$530,378	\$2,004,949
Earnings from operations	\$ 90,182	\$106,562	\$110,153	\$ 78,098	\$ 384,995
Earnings before extraordinary losses and cumulative effect of changes in accounting principle (1)	\$ 70,626	\$ 41,628	\$ 30,901	\$ 26,326	\$ 169,481
Net earnings	\$ 80,964	\$ 41,628	\$ 22,034	\$ 26,326	\$ 170,952
Net earnings attributable to common stock (2)	\$ 80,964	\$ 41,628	\$ 22,034	\$ 13,576	\$ 158,202
Net earnings per common share:					
Earnings before extraordinary losses and cumulative effect of changes in accounting principle	\$ .59	\$ .35	\$ .25	\$ .11	\$ 1.30
Net earnings	\$ .67	\$ .35	\$ .18	\$ .11	\$ 1.31
Average number of common shares	120,479	120,517	120,645	120,782	120,607
1992					
-----					
Revenues	\$430,568	\$451,053	\$471,498	\$511,564	\$1,864,683
Earnings from operations (3)	\$ 83,399	\$ 96,873	\$100,010	\$ 67,645	\$ 347,927
Earnings (loss) before extraordinary losses (4)	\$ 10,527	\$ (1,145)	\$ 45,049	\$ 11,654	\$ 66,085
Net earnings (loss)	\$ 7,088	\$(14,826)	\$ 45,049	\$ 11,654	\$ 48,965
Net earnings (loss) per common share:					
Earnings (loss) before extraordinary losses	\$ .09	\$ (.01)	\$ .37	\$ .10	\$ .55
Net earnings (loss)	\$ .06	\$ (.12)	\$ .37	\$ .10	\$ .41
Average number of common shares	120,228	120,229	120,230	120,250	120,235

- (1) The first quarter of 1993 reflects a pre-tax gain of \$55 million related to the sale of the stock of Viacom Cablevision of Wisconsin Inc. (See Note 14).
- (2) The fourth quarter of 1993 reflects Preferred Stock dividends of \$12.8 million (See Note 6).
- (3) The third quarter of 1992 reflects a reversal of compensation expense associated with the Long-Term Incentive Plans. The fourth quarter of 1992 reflects a significant expense associated with the Long-Term Incentive Plans. The fluctuations in compensation expense associated with the Long-Term Incentive Plans for the third and fourth quarter of 1992 resulted primarily from the fluctuations in market value of Viacom Inc.'s Common Stock (See Note 6).
- (4) The second quarter of 1992 reflects the reserve for litigation of \$33 million related to a summary judgment against the Company in a dispute with CBS Inc. The third quarter of 1992 reflects a gain of \$35 million related to certain aspects of the settlement of the Time Warner antitrust lawsuit (See Note 14).

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14) OTHER ITEMS, NET

As part of the settlement of the Time Warner antitrust lawsuit, the Company sold all the stock of Viacom Cablevision of Wisconsin, Inc. to Warner Communications Inc. ("Warner"). This transaction was effective on January 1, 1993. As consideration for the stock, Warner paid the sum of \$46 million plus repayment of debt under the Credit Agreement in the amount of \$49 million, resulting in a pre-tax gain of approximately \$55 million reflected in "Other items, net." Also reflected in this line item is the net gain on the sale of a portion of an investment held at cost and adjustments to previously established non-operating litigation reserves, and other items.

"Other items, net" reflects a gain of \$35 million recorded in the third quarter of 1992; this gain represents payments received in the third quarter relating to certain aspects of the settlement of the Time Warner antitrust lawsuit, net of the Company's 1992 legal expenses related to this lawsuit.

"Other items, net" also reflects a reserve for litigation of \$33 million during the second quarter of 1992 related to a summary judgment against Viacom in a dispute with CBS Inc. arising under the 1970 agreement associated with the spin-off of Viacom International Inc. by CBS Inc. On July 30, 1993, the Company settled all disputes arising under the above litigation.

In September 1991, the Company recorded a reserve for its investment in a start-up joint venture. On August 16, 1991, the Company sold 129,837 shares of Turner Broadcasting System, Inc. Class B Common Stock for approximately \$1.9 million. These transactions resulted in a pre-tax loss of approximately \$6.5 million, which is reflected in "Other items, net."

VIACOM INC. AND  
 VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15) SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,		
	1993	1992	1991
	-----	-----	-----
	(Thousands of dollars)		
Cash payments for interest net of amounts capitalized	\$167,383	\$194,879	\$233,904
Cash payments for income taxes	32,675	50,738	24,539
Cash received for income taxes	1,074	1,470	3,301
Supplemental schedule of non-cash financing and investing activities:			
B Common stock issued as satisfaction for LTIP liability	--	6,894	--
Equipment acquired under capitalized leases	44,381	26,192	--
B Common Stock issued to acquire the remaining 50.01% interest in MTV EUROPE	--	--	65,000

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

VIACOM INC. AND VIACOM INTERNATIONAL INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

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

	Reference (Page/s) -----
1. Report of Independent Accountants.....	II-32
2. Management's Statement of Responsibility for Financial Reporting.....	II-33
3. Consolidated Statements of Operations for the years ended December 31, 1993, 1992, and 1991.....	II-34
4. Consolidated Balance Sheets as of December 31, 1993 and 1992.....	II-35-II-36
5. Consolidated Statements of Cash Flows for the years ended December 31, 1993, 1992 and 1991.....	II-37
6. Consolidated Statements of Shareholders' Equity for the years ended December 31, 1993, 1992 and 1991...	II-38
7. Notes to Consolidated Financial Statements.....	II-39-II-62
Report of Independent Accountants on Financial Statement Schedules.....	F-2
Financial Statement Schedules:	
II. Amounts receivable from related parties.	F-3
VIII. Valuation and qualifying accounts.....	F-4
IX. Short-term borrowings.....	F-5
X. Supplementary statement of operations information.....	F-6

All other Schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.



REPORT OF INDEPENDENT ACCOUNTANTS  
-----

To the Boards of Directors and  
Shareholders of Viacom Inc. and  
Viacom International Inc.

Our audits of the consolidated financial statements referred to in our report dated February 4, 1994, except as to Note 2, which is as of March 11, 1994, appearing on page II-32 of this annual report on Form 10-K also included an audit of the Financial Statement Schedules listed in Item 14(a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE

1177 Avenue of the Americas  
New York, New York 10036  
February 4, 1994

VIACOM INC. AND VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
 SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES

(Thousands of Dollars)

Col. A -----	Col. B -----	Col. C -----	Col. D ----- Deductions			Col. E ----- Balance at End of Period	
Name of Debtor -----	Balance at Beginning of Period -----	Additions -----	Amounts Collected -----	Amounts Written Off -----	Other -----	Current -----	Non- Current -----
Year ended December 31, 1993: National Amusements, Inc.	--	\$ 855	\$ 855	--	--	--	--
Year Ended December 31, 1992: National Amusements, Inc.	--	\$1,307	\$1,307	--	--	--	--
Year Ended December 31, 1991: National Amusements, Inc.	--	\$2,885	\$2,885	--	--	--	--

VIACOM INC. AND VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

(Thousands of Dollars)

Col. A ----- Description -----	Col. B ----- Balance at Beginning of Period -----	Col. C ----- Charged to Costs and Expenses -----	Col. C ----- Charged to Other Accounts(A) -----	Col. D ----- Deductions(B) -----	Col. E ----- Balance at End of Period -----
Allowance for doubtful accounts:					
Year ended December 31, 1993	\$25,779	\$16,733	\$3,459	\$12,082	\$33,889
Year ended December 31, 1992	\$28,603	\$ 9,355	\$ (155)	\$12,024	\$25,779
Year ended December 31, 1991	\$23,593	\$15,855	\$1,933(C)	\$12,778	\$28,603

Notes:  
-----

- (A) Charged (credited) to the balance sheet account "Owners' share of distribution revenue."
- (B) Includes amounts written off, net of recoveries.
- (C) Includes the allowance for doubtful accounts of MTV EUROPE, previously accounted for under the equity method, of \$689 thousand

VIACOM INC. AND VIACOM INTERNATIONAL INC. AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS

(Thousands of Dollars)

Col. A ----- Category of Aggregate Short-term Borrowings -----	Col. B ----- Balance at Beginning of Period -----	Col. C ----- Weighted Average Interest Rate -----	Col. D ----- Maximum Amount Outstanding During the Period -----	Col. E ----- Average Amount Outstanding During the Period(A) -----	Col. F ----- Weighted Average Interest Rate During the Period(A) -----
Year ended December 31, 1993					
Money Market	\$ --	--	\$ 23,000	\$ 305	3.68%
Commercial Paper	\$ 60,879	3.68%	\$ 174,257	\$122,744	3.64%
Year ended December 31, 1992:					
Money Market	\$ --	--	\$ 6,000	\$ 1,684	4.66%
Commercial Paper	\$ 9,984	3.83%	\$ 144,638	\$ 74,214	4.51%
Year ended December 31, 1991:					
Money Market	\$ --	--	\$ 20,000	\$ 1,293	6.28%
Commercial Paper	\$ 73,425	5.51%	\$ 188,975	\$108,985	6.58%

NOTE:

-----

(A) Calculated on a monthly basis.

VIACOM INC. AND VIACOM INTERNATIONAL INC. AND SUBSIDIARIES  
 SCHEDULE X - SUPPLEMENTARY STATEMENT OF OPERATIONS INFORMATION

(Thousands of Dollars)

Col. A -----	Col. B ----- Charged to Costs and Expenses ----- Year Ended December 31, -----		
	1993 ----	1992 ----	1991 ----
ITEM			
Maintenance and repairs	\$21,104	\$25,649	\$20,145
Advertising costs	\$79,827	\$51,124	\$68,858
Amortization	\$60,278	\$63,256	\$62,795
Taxes, other than payroll and income taxes	\$30,362	\$21,000	\$19,805

NOTE:

-----  
 Items not presented above are less than 1% of revenues or are  
 presented elsewhere in the consolidated financial statements.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

The information contained in the Viacom Inc. Definitive Proxy Statement under the caption "Information Concerning Directors and Nominees" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained in the Viacom Inc. Definitive Proxy Statement under the caption "Related Transactions" is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS  
ON FORM 8-K.

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

(b) Reports on Form 8-K

Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of October 5, 1993 relating to the agreement dated as of October 4, 1993 between Viacom Inc. and NYNEX Corporation ("NYNEX") pursuant to which NYNEX subscribed for and agreed to purchase from Viacom Inc. 24 million shares of newly issued Series B Cumulative Convertible Preferred Stock of Viacom Inc. for an aggregate purchase price of \$1.2 billion.

Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of October 27, 1993 relating to the completion of the issuance and sale to Blockbuster Entertainment Corporation ("Blockbuster") by Viacom Inc. of 24 million shares of new issued Series A Cumulative Convertible Preferred Stock and the election of H. Wayne Huizenga, Chairman and Chief Executive Officer of Blockbuster, as a director of Viacom Inc. and Viacom International Inc.

Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of November 19, 1993 relating to the completion of the issuance and sale to NYNEX Corporation ("NYNEX") of 24 million shares of newly issued Series B Cumulative Convertible Preferred Stock for an aggregate purchase price of \$1.2 billion and the election of William C. Ferguson, Chairman and Chief Executive Officer of NYNEX, as a director of Viacom Inc. and Viacom International Inc.

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

SIGNATURES

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

VIACOM INC.

By /s/Frank J. Biondi, Jr.

-----  
Frank J. Biondi, Jr., President,  
Chief Executive Officer

By /s/George S. Smith, Jr.

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

By /s/Kevin C. Lavan

-----  
Kevin C. Lavan, Vice President,  
Controller, Chief Accounting Officer

Date: March 31, 1994

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

By	*	March 31, 1994
	-----	
	George S. Abrams, Director	
By	/s/Frank J. Biondi, Jr.	March 31, 1994
	-----	
	Frank J. Biondi, Jr., Director	
By	/s/Philippe P. Dauman	March 31, 1994
	-----	
	Philippe P. Dauman, Director	
By	*	March 31, 1994
	-----	
	William C. Ferguson, Director	
By	*	March 31, 1994
	-----	
	H. Wayne Huizenga, Director	
By	*	March 31, 1994
	-----	
	Ken Miller, Director	
By	*	March 31, 1994
	-----	
	Brent D. Redstone, Director	
By	*	March 31, 1994
	-----	
	Sumner M. Redstone, Director	
By	*	March 31, 1994
	-----	
	Frederic V. Salerno, Director	
By	*	March 31, 1994
	-----	
	William Schwartz, Director	
* By	/s/Philippe P. Dauman	March 31, 1994
	-----	
	Philippe P. Dauman Attorney-in-Fact for the Directors	



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

EXHIBIT NO.                      DESCRIPTION OF DOCUMENT                      PAGE NO.  
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(2) Plan of Acquisition

- (a) Certificate of Ownership and Merger of Viacom International Inc. into Arsenal Holdings II, Inc. as filed with the Office of Secretary of State of Delaware and effective on April 26, 1990 (incorporated by reference to Exhibit 2(1) to the Current Report on Form 8-K of Viacom International Inc. with a report date of April 26, 1990) (File No. 1-9554).
- (b) Certificate and Agreement of Merger of Viacom International Inc. into Arsenal Holdings II, Inc. filed with the Office of the Secretary of State of Ohio and effective April 26, 1990 (incorporated by reference to Exhibit 2(2) to the Current Report on Form 8-K of Viacom International Inc. with a report date of April 26, 1990) (File No. 1-9554).
- (c) Agreement and Plan of Merger dated as of January 7, 1994 between Viacom Inc. and Blockbuster Entertainment Corporation (incorporated by reference to Exhibit 99(c)(9) to Viacom Inc. Schedule 14D-1 Tender Offer Statement (Amendment No. 20) dated January 7, 1994).
- (d) Voting Agreement dated as of January 7, 1994 between National Amusements, Inc. and Blockbuster Entertainment Corporation (filed herewith).
- (e) Amended and Restated Stockholders Stock Option Agreement dated as of January 7, 1994 among Viacom Inc. and each person listed on the signature pages thereto (filed herewith).
- (f) Amended and Restated Proxy Agreement dated as of January 7, 1994 among Viacom Inc. and each person listed on the signature pages thereto (filed herewith).
- (g) Voting Agreement dated as of January 21, 1994 between National Amusements, Inc. and Paramount Communications Inc. (incorporated by reference to Exhibit 99(a)(66) to Viacom Inc. Schedule 14D-1 Tender Offer Statement (Amendment No. 29) dated January 24, 1994).
- (h) Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 between Viacom Inc. and Paramount Communications Inc. (incorporated by reference to Exhibit 99(a)(92) to Viacom Inc. Schedule 14D-1 Tender Offer Statement (Amendment No. 38) dated February 7, 1994).

(3) Articles of Incorporation and By-laws

- (a) Restated Certificate of Incorporation of Viacom Inc. (incorporated by reference to Exhibit 3(a) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).
- (b) Certificate of the Designations, Powers, Preferences and Relative, Participating or other Rights, and the Qualifications, Limitations or Restrictions thereof, of Series A Cumulative Convertible Preferred Stock (\$0.01 par value) of Viacom Inc. (incorporated by reference to Exhibit 4.1 to the Quarterly Reports on Form 10-Q of Viacom Inc. and Viacom International Inc. for the quarter ended September 30, 1993) (File Nos. 1-9553/1-9554).
- (c) Certificate of the Designations, Powers, Preferences and Relative, Participating or other Rights, and the Qualifications, Limitations or Restrictions thereof, of Series B Cumulative Convertible Preferred Stock (\$0.01 par value) of Viacom Inc. (filed herewith).
- (d) 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).
- (e) Certificate of Incorporation of Viacom International Inc. (formerly Arsenal Holdings II, Inc.) (incorporated by reference to Exhibit 3(e) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1990, as amended on Form 8, dated June 3, 1991) (File Nos. 1-9553/1-9554).
- (f) By-laws of Viacom International Inc. (formerly Arsenal Holdings II, Inc.) (incorporated by reference to Exhibit 3(f) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1990, as amended on Form 8, dated June 3, 1991) (File Nos. 1-9553/1-9554).

- (4) Instruments defining the rights of security holders, including indentures:
  - (a) Specimen certificate representing the Viacom Inc. Voting Common Stock (currently Class A Common Stock) (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-13812).
  - (b) Specimen certificate representing Viacom Inc. Class B Non-Voting Common Stock (incorporated by reference to Exhibit 4(a) to the Quarterly Reports on Form 10-Q of Viacom Inc. and Viacom International Inc. for the quarter ended June 30, 1990) (File Nos. 1-9553/1-9554).
  - (c) Specimen certificate representing Viacom Inc. Series A Cumulative Convertible Preferred Stock of Viacom Inc. (filed herewith).
  - (d) Specimen certificate representing Viacom Inc. Series B Cumulative Convertible Preferred Stock of Viacom Inc. (filed herewith).
  - (e) Indenture, dated as of September 15, 1991, among Viacom International Inc., as Issuer, Viacom Inc., as Guarantor, and The Bank of New York, as Trustee, relating to Viacom International Inc.'s Guaranteed Senior Subordinated Debt Securities (incorporated by reference to Exhibit 4.1 to the Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of September 20, 1991) (File Nos. 1-9553/1-9554) as supplemented by the First Supplemental Indenture dated as of September 15, 1991 among Viacom International Inc., as Issuer, Viacom Inc., as Guarantor, and The Bank of New York, as Trustee, relating to Viacom International Inc.'s 10.25% Senior Subordinated Notes due September 15, 2001 (incorporated by reference to Exhibit 4.2 to the Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of September 20, 1991) (File Nos. 1-9553/1-9554) as further supplemented by the Second Supplemental Indenture dated as of March 4, 1992 among Viacom International Inc., as Issuer, Viacom Inc., as Guarantor, and The Bank of New York, as Trustee, relating to Viacom International Inc.'s 9.125% Senior Subordinated Notes due August 15, 1999 and relating to Viacom International Inc.'s 8.75% Senior Subordinated Reset Notes due May 15, 2001 (incorporated by reference to Exhibit 4.1 to the Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of March 4, 1992) (File Nos. 1-9553/1-9554).
  - (f) Specimen of Note evidencing the 10.25% Senior Subordinated Notes due September 15, 2001 (incorporated by reference to Exhibit 4.3 to the Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of September 20, 1991) (File Nos. 1-9553/1-9554).
  - (g) Specimen of Note evidencing the 9.125% Senior Subordinated Notes due August 15, 1999 (incorporated by reference to Exhibit 4.2 to the Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of March 4, 1992) (File Nos. 1-9553/1-9554).

- (h) Specimen of Note evidencing the 8.75% Senior Subordinated Reset Notes due May 15, 2001 (incorporated by reference to Exhibit 4.1 to the Current Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of May 28, 1992) (File Nos. 1-9553/1-9554).
- (i) Indenture, dated as of July 15, 1988, between Viacom International Inc. and Bankers Trust Company, Trustee, relating to Viacom International Inc.'s 11.80% Senior Subordinated Notes due 1998 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-2 filed by Viacom International Inc.) (File No. 33-21280) and the First Supplement to Indenture dated April 27, 1990 between Viacom International Inc. and Bankers Trust Company, as Trustee (incorporated by reference to Exhibit 4(2) to the Current Report on Form 8-K of Viacom International Inc. with a report date of April 26, 1990) (File No. 1-9554).
- (j) Form of Note evidencing the 11.80% Senior Subordinated Notes due 1998 (incorporated by reference to Exhibit A to the Indenture filed as Exhibit 4.1 to the Registration Statement on Form S-2 filed by Viacom International Inc.) (File No. 33-21280).
- (k) Indenture, dated as of June 15, 1986, between Viacom International Inc. and Morgan Guaranty Trust Company of New York, Trustee, relating to Viacom International Inc.'s 5 3/4% Convertible Subordinated Debentures Due 2001 (incorporated by reference to Exhibit 4.5(b) to the Annual Report on Form 10-K of Viacom International Inc. for the fiscal year ended December 31, 1986) (File No. 1-6514), and the First Supplement to Indenture, dated June 9, 1987, among Viacom International Inc., Viacom Inc. and Morgan Guaranty Trust Company of New York, Trustee (incorporated by reference to Exhibit 4.5(b) to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-13812).
- (l) Credit Agreement, dated as of September 26, 1989 (the "Credit Agreement"), 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 Reports on Form 8-K of Viacom Inc. and Viacom International Inc. with a report date of January 22, 1992) as amended by Letter Agreements dated as of May 13, 1993 and April 7, 1993 (incorporated by reference to Exhibits 4.1 and 4.2 to the Current Reports on Form 10-Q of Viacom Inc. and Viacom International Inc. for the quarter ended June 30, 1993) (File Nos. 1-9553/1-9554)
- (m) Loan Facility Agreement dated as of June 2, 1993 among the Company and the banks named therein and The Bank of New York as Administrative Managing Agent, and The Bank of New York and Citibank as Managing Agents (incorporated by reference to Exhibit 10.1 to the Quarterly Reports on Form 10-Q of Viacom Inc. and Viacom International Inc. for the quarter ended June 30, 1993)(File Nos. 1-9553/1-9554).

(n) 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).

(10) Material Contracts

(a) Viacom Inc. 1989 Long-Term Management Incentive Plan (as amended and restated through April 23, 1990) (incorporated by reference to Exhibit A to Viacom Inc.'s Definitive Proxy Statement dated April 27, 1990).\*

(b) Viacom Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit A to Viacom Inc.'s Definitive Proxy Statement dated April 29, 1988), and amendment thereto (incorporated by reference to Exhibit 10(d) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 21, 1991) (File Nos. 1-9553/1-9554), and as further amended by amendment dated December 17, 1992 (incorporated by reference to Exhibit 10(d) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).\*

(c) Viacom Inc. Long-Term Incentive Plan (Divisional) (incorporated by reference to Exhibit 10.2 to the Quarterly Reports on Form 10-Q of Viacom Inc. and Viacom International Inc. for the quarter ended June 30, 1993)(File Nos. 1-9553/1-9554).\*

(d) Viacom International Inc. Deferred Compensation Plan for Non-Employee Directors (as amended and restated through December 17, 1992) (incorporated by reference to Exhibit 10(e) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).\*

(e) Viacom Inc. and Viacom International Inc. Retirement Income Plan for Non-Employee Directors (incorporated by reference to Exhibit 10(f) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1989) (File Nos. 1-9553/1-9554).\*

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

- (f) Viacom Inc. Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to the Quarterly Reports on Form 10-Q of Viacom Inc. and Viacom International Inc. for the quarter ended June 30, 1993)(File Nos. 1-9553/1-9554).\*
- (g) Excess Benefits Investment Plan for Certain Key Employees of Viacom International Inc. (effective April 1, 1984 and amended as of January 1, 1990) (incorporated by reference to Exhibit 10(h) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1990) (File Nos. 1-9553/1-9554).\*
- (h) Excess Pension Plan for Certain Key Employees of Viacom International Inc. (incorporated by reference to Exhibit 10(i) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1990) (File Nos. 1-9553/1-9554).\*
- (i) Employment Agreement, dated as of August 1, 1987, between Viacom International Inc. and Frank J. Biondi, Jr. (incorporated by reference to Exhibit 10(e) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1988) (File No. 1-9553/1-9554). Guarantee Agreement, dated as of August 1, 1987, from Viacom Inc. (incorporated by reference to Exhibit 10(e) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1988) (Files Nos. 1-9553/1-9554). Agreement under the Viacom Inc. Long-Term Incentive Plan, dated March 7, 1989, between Viacom Inc. and Frank J. Biondi, Jr. (incorporated by reference to Exhibit 10(e) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1988) (File Nos. 1-9553/1-9554).\*
- (j) Agreement, dated as of January 1, 1990, between Viacom International Inc. and Neil S. Braun (incorporated by reference to Exhibit 10(l) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1990) (File Nos. 1-9553/1-9554) as amended by an Agreement dated as of October 1, 1992 (incorporated by reference to Exhibit 10(k) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).\*
- (k) Amended and Restated Employment Agreement, dated as of October 1, 1987, between Viacom International Inc. and John W. Goddard (incorporated by reference to Exhibit 10(l) to the Annual Reprints on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1991) (File Nos. 1-9553/1-9554).\*

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

- (l) Agreement, dated as of August 1, 1990, between Viacom International Inc. and George S. Smith, Jr. (incorporated by reference to Exhibit 10(o) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1990) (File Nos. 1-9553/1-9554).\*
  
- (m) Agreement, dated as of August 1, 1990, between Viacom International Inc. and Mark M. Weinstein (incorporated by reference to Exhibit 10(p) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International Inc. for the fiscal year ended December 31, 1990) (File Nos. 1-9553/1-9554) as amended by an Agreement dated as of February 1, 1993 (incorporated by reference to Exhibit 10(n) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).\*
  
- (n) Agreement, dated as of August 1, 1992, between Viacom International Inc. and Thomas E. Dooley (incorporated by reference to Exhibit 10(o) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554) as amended by an Agreement dated as of October 1, 1992 (incorporated by reference to Exhibit 10(o) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).\*
  
- (o) Agreement, dated as of January 1, 1992, between Viacom International Inc. and Edward Horowitz (incorporated by reference to Exhibit 10(p) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554) as amended by an Agreement dated as of October 1, 1992 (incorporated by reference to Exhibit 10(p) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).\*
  
- (p) Agreement dated as of February 1, 1993 between Viacom International Inc. and Philippe P. Dauman (incorporated by reference to Exhibit 10(q) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).\*

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

- (q) Partnership Agreement between Viacom HA! Holding Company and The Comedy Channel Corp. dated as of December 17, 1990 (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-3 filed by Viacom International Inc.) (File No. 33-40170).
- (r) Lease Agreement between First Security Bank of Utah, N.A., as owner trustee and Viacom International Inc. dated as of August 12, 1992 (incorporated by reference to Exhibit 10(t) to the Annual Reports on Form 10-K of Viacom Inc. and Viacom International 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 Nos. 1-9553/1-9554).
- (s) Lease Agreement dated as of June 22, 1993 between Mellon Financial Services Corporation and Viacom International Inc. (incorporated by reference to Exhibit 10.2 to the Quarterly Reports on Form 10-Q of Viacom Inc. and Viacom International Inc. for the quarter ended June 30, 1993)(File Nos. 1-9553/1-9554).
- (t) Stock Purchase Agreement dated as of October 4, 1993 between Viacom Inc. and NYNEX Corporation, as amended as of November 19, 1993 (filed herewith).
- (u) Amended and Restated Stock Purchase Agreement dated October 21, 1993 between Viacom Inc. and Blockbuster Entertainment Corporation (filed herewith).
- (v) 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) Statements re Computation of Ratios
  - (a) Computation of Ratio of Earnings to Fixed Changes of Viacom International Inc. (filed herewith).
  - (b) Computation of Ratio of Earnings to Fixed of Viacom Inc. (filed herewith).
- (21) Subsidiaries of Viacom Inc. and Viacom International Inc. (filed herewith).
- (23) Consents of Experts and Counsel
  - (a) Consent of Price Waterhouse (filed herewith).
  - (b) Consent of Ernst & Young (filed herewith).
- (24) Powers of Attorney (filed herewith).
- (99) Additional Exhibits
  - (a) Item 1, Item 2 and Item 3 of Paramount's Transition Report on Form 10-K for the six-month period ended April 30, 1993, as such report was amended in its entirety by Form 10-K/A No. 1 dated September 28, 1993, as further amended by Form 10-K/A No. 2 dated September 30, 1993 and as further amended by Form 10-K/A No. 3 dated March 21, 1994 (filed herewith).
  - (b) Quarterly Report on Form 10-Q of Paramount Communications Inc. for the quarter ended July 31, 1993 (filed herewith).
  - (c) Quarterly Report on Form 10-Q of Paramount Communications Inc. for the quarter ended October 31, 1993 (filed herewith).
  - (d) Quarterly Report on Form 10-Q of Paramount Communications Inc. for the quarter ended January 31, 1994 (filed herewith).



VOTING AGREEMENT

VOTING AGREEMENT, dated as of January 7, 1994 (this "Agreement"), between NATIONAL AMUSEMENTS, INC., a Maryland corporation (the "Stockholder"), and BLOCKBUSTER ENTERTAINMENT CORPORATION, a Delaware corporation ("Blockbuster").

WHEREAS, Viacom Inc., a Delaware corporation ("Viacom"), and Blockbuster 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 Blockbuster will merger 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 Blockbuster to enter into the Merger Agreement, Blockbuster has required that the Stockholder agree, and in order to induce Blockbuster 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) 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 Blockbuster 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 Blockbuster, 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

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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, judgment 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 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

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 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. 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 STOCKHOLDER

SECTION 3.01. No inconsistent Agreements. The

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 Stockholder hereby covenants and agrees that, except as contemplated by this Agreement, the Merger Agreement and the Voting Agreement, dated as of September 12, 1993, as amended, between the Stockholder and Paramount Communications Inc., 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.

SECTION 3.02. Transfer of Title. The Stockholder

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 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

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SECTION 4.01. Termination. This Agreement shall  
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terminate upon the termination of the Merger Agreement.

SECTION 4.02. Specific Performance. The parties  
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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  
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constitutes the entire agreement between Blockbuster and the Stockholder with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between Blockbuster and the Stockholder with respect to the subject matter hereof.

SECTION 4.04. Amendment. This Agreement may not be  
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amended except by an instrument in writing signed by the parties hereto.

SECTION 4.05. Severability. If any term or other  
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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 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 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  
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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 Blockbuster 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

BLOCKBUSTER ENTERTAINMENT  
CORPORATION

By:       /s/ H. Wayne Huizenga  
-----  
Name: H. Wayne Huizenga  
Title: Chairman of the Board  
      and Chief Executive  
      Officer

AMENDED AND RESTATED  
STOCKHOLDERS STOCK OPTION AGREEMENT

AMENDED AND RESTATED STOCKHOLDERS STOCK OPTION AGREEMENT, dated as of January 7, 1994, among VIACOM INC., a Delaware corporation ("Viacom"), and each other person and entity listed on the signature pages hereof (each, a "Stockholder").

WHEREAS, as of the date hereof each Stockholder owns (either beneficially or of record) the number of shares of common stock, par value \$0.10 per share ("Blockbuster Common Stock"), of Blockbuster Entertainment Corporation, a Delaware corporation ("Blockbuster"), set forth opposite such Stockholder's name on Exhibit A hereto (all such shares and any shares hereafter acquired by the Stockholders prior to the termination of this Agreement being referred to herein as the "Shares");

WHEREAS, Viacom and Blockbuster propose to enter into an Agreement and Plan of Merger, dated as of the date hereof (as the same may be amended from time to time, the "Merger Agreement"), which provides, upon the terms and subject to the conditions thereof, for the merger of Blockbuster with and into Viacom (the "Merger"); and

WHEREAS, as a condition to the willingness of Viacom to enter into the Merger Agreement, Viacom has requested that each Stockholder agree, and, in order to induce Viacom to enter into the Merger Agreement, each Stockholder has agreed, severally and not jointly, to grant Viacom options to purchase such Stockholder's Shares;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants set forth herein and in the Merger Agreement, the parties hereto agree as follows:

ARTICLE I  
THE OPTIONS

SECTION 1.01. Grant of Options. Each Stockholder hereby grants to Viacom an irrevocable option (each, an "Option") to purchase such Stockholder's Shares at a price per Share equal to \$30.125 (the "Purchase Price"). Each Option shall expire if not exercised prior to the close of business on the 120th day following termination of the Merger Agreement. Each Option shall also expire if the Merger Agreement is terminated pursuant to Section 8.01(c) thereof.

SECTION 1.02. Exercise of Options. Provided that (a) to the extent necessary, any applicable waiting periods (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 and the rules and regulations promulgated thereunder (the "HSR Act") with respect to the exercise of an Option shall have expired or been terminated and (b) no preliminary or permanent injunction or other order, decree or ruling issued by any court or governmental or regulatory authority, domestic or foreign, of competent jurisdiction prohibiting the exercise of an Option or the delivery of Shares shall be in effect, Viacom may exercise any or all of the Options at any time following termination of the Merger Agreement (other than a termination pursuant to Section 8.01(c) thereof) until the expiration of such Options, provided that at the time of exercise of the Options there exists a Competing Transaction (as defined in the Merger Agreement) with respect to Blockbuster. In the event that Viacom wishes to exercise an Option, Viacom shall give written notice (the date of such notice being herein called the "Notice Date"), to the Stockholder who granted such Option specifying a place and date (not later than ten Business Days (as defined below) and not earlier than three Business Days following the Notice Date) for closing such purchase (the "Closing"). For the purposes of this Agreement, the term "Business Day" shall mean a Saturday, a Sunday or a day on which banks are not required or authorized by law or executive order to be closed in the City of New York.

SECTION 1.03. Payment for and Delivery of Certificates. At the Closing, (a) Viacom shall pay the aggregate Purchase Price for the Shares being purchased from each Stockholder by wire transfer in immediately available funds of the total amount of the Purchase Price for such Shares to an account designated by such Stockholder by written notice to Viacom, and (b) each Stockholder whose Shares are being purchased shall deliver to Viacom a certificate or certificates evidencing such Stockholder's Shares, and such Stockholder agrees that such Shares shall be transferred free and clear of all liens. All such certificates shall be duly endorsed in blank, or with appropriate stock powers, duly executed in blank, attached thereto, in proper form for transfer, with the signature of such Stockholder thereon guaranteed, and with all applicable taxes paid or provided for.

ARTICLE II  
REPRESENTATIONS AND WARRANTIES OF

THE STOCKHOLDERS

Each Stockholder, severally and not jointly, hereby represents and warrants to Viacom as follows:

SECTION 2.01. Due Organization, etc. Such Stockholder (if it is a corporation, partnership or other legal entity) is duly organized and validly existing under the laws of the jurisdiction of its incorporation or organization. Such Stockholder has full

power and authority (corporate or otherwise) to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action (corporate or otherwise) on the part of such Stockholder. This Agreement has been duly executed and delivered by or on behalf of such Stockholder and, assuming its due authorization, execution and delivery by Viacom, constitutes a legal, valid and binding obligation of such Stockholder, enforceable against such Stockholder in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 2.02. No Conflicts; Required Filings and Consents. (a) The execution and delivery of this Agreement by such Stockholder do not, and the performance of this Agreement by such Stockholder will not, (i) conflict with or violate the Certificate of Incorporation or By-Laws or similar organizational document of such Stockholder (in the case of a Stockholder that is a corporation, partnership or other legal entity), (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to such Stockholder or by which it or any of its properties is 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 property or assets of such Stockholder or (if such Stockholder purports to be a corporation) any of its subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which such Stockholder is a party or by which such Stockholder or any of its properties is bound or affected, except for any such breaches, defaults or other occurrences that would not cause or create a material risk of non-performance or delayed performance by such Stockholder of its obligations under this Agreement.

(b) The execution and delivery of this Agreement by such Stockholder do not, and the performance of this Agreement by such Stockholder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign, except (i) for applicable requirements, if any, of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"), and the HSR Act and (ii) 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 such Stockholder of its obligations under this Agreement.



SECTION 2.03. Title to Shares. At the Closing such Stockholder will deliver good and valid title to its Shares free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction, right of first refusal or other limitation on disposition or encumbrance of any kind, other than pursuant to this Agreement. Subject to Permitted Liens (as defined below), which will be eliminated prior to or at the Closing, such Stockholder has full right, power and authority to sell, transfer and deliver its Shares pursuant to this Agreement. Upon delivery of such Shares and payment of the Purchase Price therefor as contemplated herein, Viacom will receive good and valid title to such Shares, free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction or encumbrance of any kind.

ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF VIACOM

Viacom hereby represents and warrants to each Stockholder as follows:

SECTION 3.01. Due Organization, etc. Viacom is a corporation duly organized and validly existing under the laws of the State of Delaware. Viacom has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby by Viacom have been duly authorized by all necessary corporate action on the part of Viacom. This Agreement has been duly executed and delivered by Viacom and, assuming its due authorization, execution and delivery by each Stockholder, constitutes a legal, valid and binding obligation of Viacom, enforceable against Viacom in accordance with its terms.

SECTION 3.02. No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by Viacom do not, and the performance of this Agreement by Viacom will not, (i) conflict with or violate the Certificate of Incorporation or By-laws of Viacom, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Viacom or by which Viacom or any of its properties is 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 property or assets of Viacom pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Viacom is a party or by which it or any of its properties is bound or affected, except for any such breaches, defaults or other occurrences that would not cause or create a material risk of non-performance or delayed performance by Viacom of its obligations under this Agreement.

(b) The execution and delivery of this Agreement by Viacom do 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 or regulatory authority, domestic or foreign, except (i) for applicable requirements, if any, of the Exchange Act and the HSR Act and (ii) 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 Viacom of its obligations under this Agreement.

SECTION 3.03. Investment Intent. The purchase of Shares from any Stockholder pursuant to this Agreement is for the account of Viacom for the purpose of investment and not with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act, and the rules and regulations promulgated thereunder.

#### ARTICLE IV TRANSFER AND VOTING OF SHARES

SECTION 4.01. Transfer of Shares. During the term of the Options, and except as otherwise provided herein, each Stockholder shall not (a) sell, pledge (other than Permitted Liens (as defined below)) or otherwise dispose of any of its Shares, (b) deposit its Shares into a voting trust or enter into a voting agreement or arrangement with respect to such Shares or grant any proxy with respect thereto or (c) enter into any contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment, transfer or other disposition of any Blockbuster Common Stock (other than, in the case of John J. Melk and Donald F. Flynn, the Amended and Restated Proxy Agreement, dated as of January 7, 1994, among Viacom and each other person and entity listed on the signature pages thereof). Exercise of rights or remedies pursuant to bona fide pledges of Shares to banks or other financial institutions ("Permitted Liens") are not restricted by this Agreement; provided that in the case of Permitted Liens granted after the date of this Agreement, such Shares continue to be subject to the Options.

SECTION 4.02. Voting of Shares; Further Assurances.  
(a) Each Stockholder, by this Agreement, with respect to those Shares that it owns of record, does hereby constitute and appoint Viacom, or any nominee of Viacom, with full power of substitution, during and for the term of the Option granted by such Stockholder hereunder (or, following termination of the Merger Agreement, during such periods as the Options are exercisable), as its true and lawful attorney and proxy, for and in its name, place and stead, to vote each of such Shares as its proxy, at every annual, special or adjourned meeting of the stockholders of Blockbuster (including the right to sign its name (as stockholder) to any consent, certificate or other document relating to Blockbuster that

the law of the State of Delaware may permit or require) (i) in favor of the adoption of the Merger Agreement and approval of the Merger and the other transactions contemplated by the Merger Agreement, (ii) against any proposal for any recapitalization, merger, sale of assets or other business combination between Blockbuster and any person or entity (other than the 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 Blockbuster under the Merger Agreement or which could result in any of the conditions to Blockbuster's obligations under the Merger Agreement not being fulfilled, and (iii) in favor of any other matter relating to consummation of the transactions contemplated by the Merger Agreement. Each Stockholder further agrees to cause the Shares owned by it beneficially to be voted in accordance with the foregoing. Each Stockholder acknowledges receipt and review of a copy of the Merger Agreement.

(b) If Viacom shall exercise any Option in accordance with the terms of this Agreement, and without additional consideration, the Stockholder who granted such Option shall execute and deliver further transfers, assignments, endorsements, consents and other instruments as Viacom may reasonably request for the purpose of effectively carrying out the transactions contemplated by this Agreement and the Merger Agreement, including the transfer of any and all of such Stockholder's Shares to Viacom and the release of any and all liens, claims and encumbrances covering such Shares.

(c) Each Stockholder shall perform such further acts and execute such further documents and instruments as may reasonably be required to vest in Viacom the power to carry out the provisions of this Agreement.

#### ARTICLE V GENERAL PROVISIONS

SECTION 5.01. 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, New York 10036  
Attention: Senior Vice President,  
General Counsel and Secretary  
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 a Stockholder, to the address set forth below such Stockholder's name on the signature pages hereof.

with a copy to:

Blockbuster Entertainment Corporation  
One Blockbuster Plaza  
Fort Lauderdale, Florida 33301  
Attention: Vice President, General  
Counsel and Secretary  
Telecopier No.: 305-832-3929

SECTION 5.02. 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 5.03. 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 5.04. Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof.

SECTION 5.05. Assignment. This Agreement shall not be assigned by operation of law or otherwise.

SECTION 5.06. 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, 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.

SECTION 5.07. 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 5.08. Governing Law. Except to the extent that Delaware Law is mandatorily applicable to the rights of the stockholders of Blockbuster, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and to be performed entirely within that state.

SECTION 5.09. 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, the parties have executed this Agreement as of the date first written above.

VIACOM INC.

By /s/ Sumner M. Redstone  
-----  
Name: Sumner M. Redstone  
Title: Chairman of the Board

/s/ H. Wayne Huizenga  
-----

H. Wayne Huizenga  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Steven R. Berrard

-----  
Steven R. Berrard  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ John J. Melk

-----  
John J. Melk  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Donald F. Flynn

-----  
Donald F. Flynn  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ G. Harry Huizenga

-----  
G. Harry Huizenga  
for G. Harry Huizenga  
and Jean Huizenga  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

EXHIBIT A

List of Stockholders

Name of Stockholder	Number of Shares of Blockbuster Common Stock
H. Wayne Huizenga	10,905,885
Steven R. Berrard	4,970
John J. Melk	1,547,058
Donald F. Flynn	1,547,057
Harry and Jean Huizenga	1,572,241

AMENDED AND RESTATED PROXY AGREEMENT

AMENDED AND RESTATED PROXY AGREEMENT, dated as of January 7, 1994, among VIACOM INC., a Delaware corporation ("Viacom"), and each other person and entity listed on the signature pages hereof (each, a "Stockholder").

WHEREAS, as of the date hereof each Stockholder owns (either beneficially or of record) the number of shares of common stock, par value \$0.10 per share ("Blockbuster Common Stock"), of Blockbuster Entertainment Corporation, a Delaware corporation ("Blockbuster"), set forth opposite such Stockholder's name on Exhibit A hereto (all such shares and any shares hereafter acquired by the Stockholders prior to the termination of this Agreement being referred to herein as the "Shares");

WHEREAS, Viacom and Blockbuster propose to enter into an Agreement and Plan of Merger, dated as of the date hereof (as the same may be amended from time to time, the "Merger Agreement"), which provides, upon the terms and subject to the conditions thereof, for the merger of Blockbuster with and into Viacom (the "Merger"); and

WHEREAS, as a condition to the willingness of Viacom to enter into the Merger Agreement, Viacom has requested that each Stockholder agree, and, in order to induce Viacom to enter into the Merger Agreement, each Stockholder has agreed, severally and not jointly, to grant Viacom proxies to vote such Stockholder's Shares;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants set forth herein and in the Merger Agreement, the parties hereto agree as follows:

ARTICLE I  
REPRESENTATIONS AND WARRANTIES OF  
THE STOCKHOLDERS

Each Stockholder, severally and not jointly, hereby represents and warrants to Viacom as follows:

SECTION 1.01. Due Organization, etc. Such Stockholder (if it is a corporation, partnership or other legal entity) is duly organized and validly existing under the laws of the jurisdiction of its incorporation or organization. Such Stockholder has full power and authority (corporate or otherwise) to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly

authorized by all necessary action (corporate or otherwise) on the part of such Stockholder. This Agreement has been duly executed and delivered by or on behalf of such Stockholder and, assuming its due authorization, execution and delivery by Viacom, constitutes a legal, valid and binding obligation of such Stockholder, enforceable against such Stockholder in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 1.02. Title to Shares. Such Stockholder is the record or beneficial owner of its Shares free and clear of any proxy or voting restriction other than pursuant to this Agreement.

ARTICLE II  
TRANSFER AND VOTING OF SHARES

SECTION 2.01. Transfer of Shares. During the Proxy Term (as defined below), and except as otherwise provided herein, each Stockholder shall not (a) sell, pledge (other than Permitted Liens (as defined below)) or otherwise dispose of any of its Shares, (b) deposit its Shares into a voting trust or enter into a voting agreement or arrangement with respect to such Shares or grant any proxy with respect thereto or (c) enter into any contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment, transfer or other disposition of any Blockbuster Common Stock (other than, in the case of John J. Melk and Donald F. Flynn, the Amended and Restated Stockholders Stock Option Agreement, dated as of January 7, 1994, among Viacom and each other person and entity listed on the signature pages thereof). Exercise of rights or remedies pursuant to bona fide pledges of Shares to banks or other financial institutions ("Permitted Liens") are not restricted by this Agreement. Viacom acknowledges that 575,000 of the Shares owned by Dean L. Buntrock are subject to a pre-existing option and related pledge agreement granted to an unrelated third party.



SECTION 2.02. Voting of Shares; Further Assurances.

(a) Each Stockholder, by this Agreement, with respect to those Shares that it owns of record, does hereby constitute and appoint Viacom, or any nominee of Viacom, with full power of substitution, during and for the Proxy Term, as its true and lawful attorney and proxy, for and in its name, place and stead, to vote each of such Shares as its proxy, at every annual, special or adjourned meeting of the stockholders of Blockbuster (including the right to sign its name (as stockholder) to any consent, certificate or other document relating to Blockbuster that the law of the State of Delaware may permit or require) (i) in favor of the adoption of the Merger Agreement and approval of the Merger and the other transactions contemplated by the Merger Agreement, (ii) against any proposal for

any recapitalization, merger, sale of assets or other business combination between Blockbuster and any person or entity (other than the 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 Blockbuster under the Merger Agreement or which could result in any of the conditions to Blockbuster's obligations under the Merger Agreement not being fulfilled, and (iii) in favor of any other matter relating to consummation of the transactions contemplated by the Merger Agreement. Each Stockholder further agrees to cause the Shares owned by it beneficially to be voted in accordance with the foregoing.

(b) For the purposes of this Agreement, "Proxy Term" shall mean the period from the execution of this Agreement until the termination of the Merger Agreement, and following termination of the Merger Agreement (other than a termination pursuant to Section 8.01(c) thereof), during such time as a Competing Transaction (as defined in the Merger Agreement) exists with respect to Blockbuster; provided that in no event shall the Proxy Term extend beyond the close of business on the 120th day following termination of the Merger Agreement.

(c) Each Stockholder shall perform such further acts and execute such further documents and instruments as may reasonably be required to vest in Viacom the power to carry out the provisions of this Agreement.

### ARTICLE III GENERAL PROVISIONS

SECTION 3.01. 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 3.02. Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof.

SECTION 3.03. Assignment. This Agreement shall not be assigned by operation of law or otherwise.

SECTION 3.04. 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, 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.

SECTION 3.05. 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 3.06. Governing Law. Except to the extent that Delaware Law is mandatorily applicable to the rights of the stockholders of Blockbuster, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and to be performed entirely within that state.

SECTION 3.07. 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, the parties have executed this Agreement as of the date first written above.

VIACOM INC.

By /s/ Sumner M. Redstone  
-----  
Name: Sumner M. Redstone  
Title: Chairman of the  
Board

PHILIPS ELECTRONICS N.V.

By /s/ D.G. Eustace  
-----  
Name: D.G. Eustace  
Title: Executive Vice  
President  
  
Groenewoudseweg 1  
5621 BA  
Eindhoven, The Netherlands

WESTBURY (BERMUDA) LTD.

By /s/ James Watt  
-----  
Name: James Watt  
Title: Vice President  
  
Victoria Hall  
11 Victoria Street  
P.O. Box HM 1065  
Hamilton HM EX  
Bermuda

/s/ John J. Melk  
-----  
John J. Melk  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Donald F. Flynn  
-----  
Donald F. Flynn  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ George D. Johnson, Jr.  
-----  
George D. Johnson, Jr.  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Scott A. Beck  
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Scott A. Beck  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Harris W. Hudson  
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Harris W. Hudson  
529 Bontana Avenue  
Fort Lauderdale, FL 33301

/s/ Bonnie J. Hudson  
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Bonnie J. Hudson  
529 Bontana Avenue  
Fort Lauderdale, FL 33301

/s/ Peter Huizenga  
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Peter Huizenga Trustee,  
Peter H. Huizenga Sr.  
Testamentary Trust  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Peter Huizenga  
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Peter Huizenga  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Peter Huizenga  
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Peter Huizenga Trustee,  
Elizabeth I. Huizenga Trust  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Peter Huizenga  
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Peter Huizenga Trustee,  
Betsy Huizenga Trust  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Peter Huizenga  
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Peter Huizenga Trustee,  
Greta Huizenga Trust  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Heidi Huizenga  
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Heidi Huizenga Trustee,  
Peter Huizenga Jr. Trust  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Heidi Huizenga  
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Heidi Huizenga Trustee,  
Timothy Huizenga Trust  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Dean L. Buntrock  
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Dean L. Buntrock  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Rosemarie Buntrock  
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Rosemarie Buntrock  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

/s/ Rosemarie Buntrock  
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Rosemarie Buntrock Trustee,  
Buntrock Family Video Trust  
c/o Blockbuster Entertainment  
Corporation  
One Blockbuster Plaza  
Fort Lauderdale, FL 33301

EXHIBIT A  
List of Stockholders

Name of Stockholder	Number of Shares of Blockbuster Common Stock
Philips Electronics N.V.	17,245,211
Westbury (Bermuda) Inc.	1,400,000
John J. Melk	5,217,196
Donald F. Flynn	4,398,119
George D. Johnson, Jr.	2,827,465
Scott A. Beck	3,290,819
Harris W. Hudson and Bonnie J. Hudson	821,388
Peter Huizenga, as trustee for Peter H. Huizenga Sr. Testamentary Trust	1,771,296
Peter Huizenga	431,390
Peter Huizenga, as trustee for Elizabeth I. Huizenga Trust	50,000
Peter Huizenga, as trustee for Betsy Huizenga Trust	20,800
Peter Huizenga, as trustee for Greta Huizenga Trust	20,800
Heidi Huizenga, as trustee for Peter Huizenga Jr. Trust	20,800
Heidi Huizenga, as trustee for Timothy Huizenga Trust	20,800
Dean L. Buntrock	1,993,984
Rosemarie Buntrock	382,150
Rosemarie Buntrock, as trustee for Buntrock Family Video Trust	355,506



State of Delaware  
Office of the Secretary of State

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I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF "VIACOM INC." FILED IN THIS OFFICE ON THE EIGHTEENTH DAY OF NOVEMBER, A.D. 1993, AT 10:30 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

\* \* \* \* \*

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William T. Quillen, Secretary of State

AUTHENTICATION: \*4153016

DATE: 11/18/1993

CERTIFICATE OF THE DESIGNATIONS, POWERS, PREFERENCES AND RELATIVE, PARTICIPATING OR OTHER RIGHTS, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS THEREOF, OF

SERIES B CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(\$0.01 Par Value)

OF

VIACOM INC.

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Pursuant to Section 151 of the General Corporation Law of the State of Delaware

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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 100,000,000 shares of

preferred stock, and by the Securities Committee of the Board of Directors pursuant to authority conferred upon such Committee by the Board of Directors in accordance with Section 141(c) of the General Corporation Law of the State of Delaware and Article Section 11 of the By-Laws of the Corporation at a meeting of the Board of Directors duly held on September 28, 1993:

RESOLVED, that the issue of a series of preferred stock, \$0.01 par value, 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. 24,000,000 shares of

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the preferred stock, \$0.01 par value, of the Corporation are hereby constituted as a series of the preferred stock designated as Series B Cumulative Convertible Preferred Stock (the "Series B Preferred Stock"). The number of shares of Series B Preferred Stock may not be increased and may not be decreased below the number of then currently outstanding shares of Series B Preferred Stock.

(2) Definitions. For purposes of the Series B Preferred

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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 B 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 Stock" shall mean the Class A Common Stock of the Corporation, par value \$0.01 per share.

"Common Stock" shall mean the Class B Common Stock of the Corporation, par value \$0.01 per share.

"Conversion Price" shall mean the conversion price per share of Common Stock for which the Series B Preferred Stock is convertible, as such Conversion Price may be adjusted pursuant to Section (7). The initial Conversion Price will be \$70.00 (equivalent to the rate of .7143 of a share of Common Stock for each share of Series B Preferred Stock).

"Current Market Price" shall mean, as of a particular date, the closing sale price at which Common Stock shall have been sold regular way on 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.

"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 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 December 31, 1993).

"Issue Date" shall mean the first date on which shares of Series B Preferred Stock are issued.

"Person" shall mean any individual, firm, partnership, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Securities" shall have the meaning set forth in paragraph (d)(iii) of Section (7) hereof.

"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.

"Transaction" shall have the meaning set forth in paragraph (e) of Section (7) hereof.

"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 B Preferred Stock.

(3) Dividends. (a) The holders of shares of the Series B

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Preferred Stock shall be entitled to receive, when and if declared by the Board of Directors out of funds legally available therefor, cash dividends at the rate per annum of \$2.50 per share of Series B Preferred Stock. Such dividends shall be cumulative from the Issue Date, whether or not in any Dividend Period or Periods there shall be funds of the Company legally available for the payment of such dividends, and shall be payable quarterly, when and as declared by the Board of Directors, on the first Business Day of January, April, July and October of each year, commencing on January 1, 1994 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 B 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 B 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 B Preferred Stock, or any other period shorter or longer than a full Dividend Period on the Series B Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Except as provided in Section 5(a), holders of shares of Series B 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 B 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 B Preferred Stock.

(c) So long as any shares of the Series B 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 class or series of stock of the Corporation ranking, as to dividends, on a parity with the Series B Preferred Stock, for any period, nor shall any shares ranking on a parity with the Series B Preferred 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 B 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 B Preferred Stock and any other class or series of stock ranking on a parity as to dividends with the Series B Preferred Stock, all dividends declared upon shares of the Series B Preferred Stock and all dividends declared upon such other stock shall be declared pro rata so that the amounts of dividends per share declared on the Series B Preferred Stock and such other stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of the Series B Preferred Stock and such other stock bear to each other.

(d) So long as any shares of the Series B Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of Common Stock, Class A Stock or other stock ranking junior to the Series B Preferred Stock, as to dividends and upon liquidation) shall be declared or paid or set apart for payment or other distribution declared or made upon the Common Stock, Class A Stock or any other stock of the Corporation ranking junior to the Series B Preferred Stock, as to dividends or upon liquidation nor shall any Common Stock, nor any Class A Stock nor any other such stock of the Corporation ranking junior to the Series B Preferred Stock, as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Series B Preferred Stock, as to dividends and upon liquidation) or any Subsidiary unless, in each case (i) the full cumulative dividends on all outstanding shares of the Series B Preferred Stock and any other stock of the Corporation ranking on a parity with the Series B Preferred Stock, as to dividends or upon liquidation shall have been paid or set apart for payment for all past Dividend Periods and dividend periods with respect to such other 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 B Preferred Stock and the dividend period with respect to any other stock of the Corporation ranking on a parity with the Series B Preferred Stock, as to dividends or upon liquidation.

(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 Common Stock, Class A Stock or any other series or class or classes of stock of the Corporation ranking junior to the Series B Preferred Stock, upon liquidation, dissolution or winding up, the holders of the shares of Series B 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 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 B Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of stock ranking, as to liquidation, dissolution or winding up, on a parity with the Series B Preferred Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series B Preferred Stock and any such other stock ratably in accordance with the respective amounts which would be payable on such shares of Series B Preferred Stock and any such other 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.

(b) Subject to the rights of the holders of shares of any series or class or classes of stock ranking on a parity with or prior to Series B Preferred Stock, upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of Series B Preferred Stock, as provided in this Section (4), any other series or class or classes of stock ranking junior to Series B Preferred Stock, upon liquidation, dissolution or winding up 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 B Preferred Stock shall not be entitled to share therein.

(5) Redemption at the Option of the Corporation. (a)

Series B Preferred Stock may not be redeemed by the Corporation prior to October 1, 1998, after which the Corporation, at its option, may redeem the shares of Series B Preferred Stock, in whole or in part, for an aggregate redemption price of at least \$100,000,000 (provided that no partial redemption shall reduce

the Series A Preferred Stock outstanding below \$100,000,000 aggregate liquidation value) 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, during the 359-day period beginning on October 1, 1998 and during the twelve-month periods beginning on October 1 of the years beginning with 1998 shown 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:

Year	Price
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1998 . . . . .	\$52.50
1999 . . . . .	\$52.00
2000 . . . . .	\$51.50
2001 . . . . .	\$51.00
2002 . . . . .	\$50.50
2004 and thereafter . . . . .	\$50.00

(b) In the event that full cumulative dividends on the Series B Preferred Stock and any other class or series of stock of the Corporation ranking, as to dividends, on a parity with the Series B Preferred Stock have not been paid or declared and set apart for payment, the Series B Preferred Stock may not be redeemed in part and the Corporation may not purchase or acquire shares of Series B 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 B Preferred Stock and such other stock.

(c) In the event the Corporation shall redeem shares of Series B 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 B 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; (5) the then current conversion price; and (6) 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 B 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) 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 on 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 B Preferred Stock so called for redemption. Any interest accrued on such funds after the redemption date 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 B 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 B Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series B 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.

(6) Shares to be Retired. All shares of Series B Preferred  
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Stock purchased or redeemed by the Corporation or converted 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) Conversion. Holders of shares of Series B Preferred  
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Stock shall have the right to convert all or a portion of such shares into shares of Common Stock, as follows:

(a) Subject to and upon compliance with the provisions of this Section (7), a holder of shares of series B Preferred Stock shall have the right, at his or her option, at any time to convert such shares into the number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing the aggregate liquidation preference of such shares by the Conversion Price and by surrender of such shares so to be converted, such surrender to be made in the manner provided in paragraph (b) of this Section (7); provided, however, that the right to convert shares called for redemption pursuant to Section



(5) shall terminate at the close of business on the date fixed for such redemption, unless the Corporation shall default in making payment of the amount payable upon such redemption. Any share of Series B Preferred Stock may be converted, at the request of its holder, in part into Common Stock. If a part of a share of Series B Preferred Stock is converted, then the Corporation will convert such share into the requested shares of Common Stock (subject to paragraph (c) of this Section (7)) and issue a fractional share of Series B Preferred Stock evidencing the remaining interest of such holder.

(b) In order to exercise the conversion right, the holder of each share of Series B Preferred Stock to be converted shall surrender the certificate representing such share, duly endorsed or assigned to the Corporation or in blank, at the office of the Transfer Agent in the Borough of Manhattan, City of New York, accompanied by written notice to the Corporation that the holder thereof elects to convert Series B Preferred Stock or a specified portion thereof. Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of Series B Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or such holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid).

Holders of shares of Series B Preferred Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares (except that holders of shares called for redemption on a redemption date between such record date and the dividend payment date shall not be entitled to receive such dividend on such dividend payment date) on the corresponding dividend payment date notwithstanding the conversion thereof following such dividend payment record date and prior to such dividend payment date. However, shares of Series B Preferred Stock surrendered for conversion during the period between the close of business on any dividend record date and the opening of business on the corresponding dividend payment date (except shares called for redemption on a redemption date during such period) must be accompanied by payment of an amount equal to the dividend payable on such shares on such dividend payment date. A holder of shares of Series B Preferred Stock on a dividend record date who (or whose transferee) tenders any such shares for conversion into shares of Common Stock on such dividend payment date will receive the dividend payable by the Corporation on such shares of Series B Preferred Stock on such date, and the converting holder need not include payment of the amount of such dividend upon surrender of shares of Series B Preferred Stock for conversion. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for

dividends on the shares of Common Stock issued upon such conversion.

As promptly as practicable after the surrender of certificates for shares of Series B Preferred Stock as aforesaid, the Corporation shall issue and shall deliver at such office to such holder, or on his or her written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this Section (7), and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in paragraph (c) of this Section (7).

Each conversion shall be deemed to have effected immediately prior to the close of business on the date on which the certificates for shares of Series B Preferred Stock shall have been surrendered and such notice received by the Corporation as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such shares shall have been surrendered and such notice received by the Corporation. All shares of Common Stock delivered upon conversions of the Series B Preferred Stock will upon delivery be duly and validly issued and fully paid and nonassessable.

(c) No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of the Series B Preferred Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the conversion for a share of Series B Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) based upon the Current Market Price of Common Stock on the Trading Day immediately preceding the date of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series B Preferred Stock so surrendered.

(d) The Conversion Price shall be adjusted from time to time as follows:

(i) In case the Corporation shall after the Issue Date (A) pay a dividend or make a distribution on its Common

Stock in shares of its Common Stock, (b) subdivide its outstanding Common Stock into a greater number of shares, (C) combine its outstanding Common Stock into a smaller number of shares or (D) issue any shares of capital stock by reclassification of its Common Stock, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of any share of Series B Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation which such holder would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event or the record date therefor, whichever is earlier. An adjustment made pursuant to this subparagraph (i) shall become effective immediately after the close of business on the record date (except as provided in paragraph (h) below).

(ii) In case the Corporation shall issue after the Issue Date (a) rights or warrants to all holders of Class A Stock or Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Class A Stock or Common Stock at a price per share less than the Conversion Price at the record date for the determination of stockholders entitled to receive such rights or warrants or (b) shares of Class A Stock or Common Stock or securities exercisable for (including rights or warrants other than those referred to in (a) above and subparagraph (iii) below) or exchangeable or convertible into shares of Class A Stock or Common Stock at a price per share (or having an exercise, exchange or conversion price per share) less than the then current Conversion Price (other than securities issued in a transaction in which a pro rata share of such securities have been reserved by the Corporation for distribution to the holders of Series B Preferred Stock up conversion), then in each such case the Conversion Price in effect immediately prior thereto shall be adjusted to equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the date of issuance of such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock) by (II) a fraction, the numerator of which shall be the sum of (A) the number of shares of Class A Stock or Common Stock outstanding on the date of issuance of such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock) (without giving effect to any such issuance) and (B), in the case of (a) above, the number of shares which the aggregate proceeds from the exercise of such rights or warrants for Class A Stock and Common Stock or, in the case of (b) above, the number of shares which the aggregate consideration receivable by the

Corporation for the total number of shares of Class A Stock and Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock) so issued would purchase at the Conversion Price in effect immediately prior to the date of issuance, and the denominator of which shall be the sum of (A) the number of shares of Class A Stock and Common Stock outstanding on the date of issuance of such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into Class A Stock or Common Stock) (without giving effect to any such issuance) and (B), in the case of (a) above, the number of additional shares of Class A Stock or Common Stock offered for subscription or purchase or, in the case of (b) above, the number of shares of Class A Stock and Common Stock so issued or into which the exercisable, exchangeable or convertible securities may be exercised, exchanged or converted. Such adjustment shall be made successively whenever any such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into Class A Stock or Common Stock) are issued, and shall become effective immediately after such record date or, in the case of the issuance of Class A Stock or Common Stock after the date of issuance thereof (or in the case of securities exercisable for or exchangeable or convertible into shares of class A Stock or Common Stock, the date on which holders may first exercise, exchange or convert the same in accordance with the respective terms thereof). In determining whether any rights or warrants entitled the holders of Class A Stock or Common Stock to subscribe for or purchase shares of Class A Stock or Common Stock at less than the Conversion Price in effect immediately prior to the date of such issuance, and in determining the aggregate offering price of shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock), there shall be taken into account any net consideration received or receivable by the Corporation upon issuance and upon exercise of such rights or warrants or upon issuance of shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock), the value of such consideration, if other than cash, to be determined by the Board of Directors or, if higher, the aggregate exercise, exchange or conversion price set forth in such exercisable, exchangeable or convertible securities.

(iii) In case the Corporation shall distribute to all holders of its Common Stock any shares of capital stock of the Corporation (other than Common Stock) or evidences of its indebtedness or assets (other than a regular cash dividend that the Board of Directors determines, in good faith, can be maintained by the company for at least four consecutive periods covering not less than one year and that

the Board of Directors intends to maintain for at least four consecutive periods covering not less than one year or a dividend that, together with all dividends paid in the prior twelve months, does not exceed one percent (1%) of the aggregate fair market value of the Series B Preferred Stock and the Common Stock on the date such dividend is declared, in each case, out of profits or surplus) or rights or warrants to subscribe for or purchase any of its securities (excluding those referred to in subparagraph (ii)(a) above) (any of the foregoing being hereinafter in this subparagraph (iii) called the "Securities"), then in each such case, unless the Corporation elects to reserve shares or other units of such Securities for distribution to the holders of the Series B Preferred Stock upon the conversion of the shares of Series B Preferred Stock so that any such holder converting shares of the Series B Preferred Stock will receive upon such conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount and kind of such Securities which such holder would have received if such holder had, immediately prior to the record date for the distribution of the Securities, converted his or her shares of Series B Preferred Stock into Common Stock (such election to be based upon a determination by the Board of Directors that such reservation will not materially adversely affect the interests of any holder of Series B Preferred Stock in any such reserved Securities), the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the date of such distribution by (II) a fraction, the numerator of which shall be the Current Market Price per share of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose determination shall, if made in good faith, be conclusive) of the portion of the capital stock or assets or evidences of indebtedness so distributed or of such rights or warrants applicable to one share of Common Stock, and the denominator of which shall be the Current Market Price per share of the Common Stock. Such adjustment shall become effective immediately, except as provided in paragraph (h) below, after the record date for the determination of stockholders entitled to receive such distribution.

(iv) Notwithstanding anything in subparagraphs (ii) and (iii) above, if such exercisable, exchangeable or convertible securities, rights or warrants shall by their terms provide for an increase or increases with the passage of time or otherwise in the price payable to the Corporation upon the exercise thereof, the Conversion Price upon any such increase becoming effective shall forthwith be readjusted (but to no greater extent than originally adjusted by reason of such issuance or sale) to reflect the same. Upon the expiration or termination of such rights or warrants, if any such rights or warrants shall not have been

exercised, and upon the expiration or termination of the exercise, exchange or conversion rights under such exercisable, exchangeable or convertible securities, if any such exercisable, exchangeable or convertible securities shall not have been exercised, exchange or converted, then the Conversion Price thereof shall forthwith be readjusted and thereafter be the rate which it would have been had an adjustment been made on the basis that (x) the only rights or warrants so issued or sold were those so exercised and they were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such options, rights or warrants whether or not exercised and (y) the Corporation issued and sold a number of shares of Common Stock equal to those actually issued upon exercise of such exercise, exchange or conversion rights, and such shares were issued and sold for a consideration equal to the aggregate exercise, exchange or conversion price in effect under the exercise, exchange or conversion rights actually exercised at the respective dates of their exercise. An adjustment made pursuant to this subparagraph (iv) shall be made on the next Business Day following the date on which any such issuance is made and shall be effective immediately after the close of business on such date, but shall not affect the Conversion Price applicable to shares of Series B Preferred Stock converted prior to the date notice of such adjustment is given to the holders of Series B Preferred Stock. For purposes of subparagraphs (ii) and (iv), the aggregate consideration received by the Corporation in connection with the issuance of shares of Common Stock or of rights, warrants or securities exercisable for or exchangeable or convertible into shares of Common Stock shall be deemed to be equal to the sum of the aggregate net offering price of all such securities plus the minimum aggregate amount, if any, payable upon exercise of such rights or warrants and conversion of any such exercisable, exchangeable or convertible securities into shares of Common Stock.

(v) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subparagraph (v) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and, provided further any adjustment shall be required and made in accordance with the provisions of this Section (7) (other than this subparagraph (v)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of shares of Common Stock. All calculations under this Section (7) shall be made to the nearest cent (with \$.005 being rounded upward) or to the

nearest 1/100 of a share (with .005 of a share being rounded upward), as the case may be. Anything in this paragraph (d) to the contrary notwithstanding, the Corporation shall be entitled, to the extent permitted by law, to make such reductions in the Conversion Price, in addition to those required by this paragraph (d), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights or warrants to purchase stock or securities, or a distribution of other assets (other than cash dividends) hereafter made by the Corporation to its stockholders shall not be taxable.

(e) In case the Corporation shall be a party to any transaction (including without limitation a merger, consolidation, sale of all or substantially all of the Corporation's assets or recapitalization of the Common Stock and excluding any transaction as to which paragraph (d)(i) of this Section (7) applies) (each of the foregoing being referred to as a "Transaction"), in each case as a result of which shares of Common Stock shall be converted into the right to receive stock, securities or other property (including cash or any combination thereof), each share of Series B Preferred Stock which is not converted into the right to receive stock, securities or other property in connection with such Transaction shall thereafter be convertible into the kind and amount of shares of stock and other securities and property receivable (including cash) upon the consummation of such Transaction by a holder of that number of shares or fraction thereof of Common Stock into which one share of Series B Preferred Stock was convertible immediately prior to such Transaction. The Corporation shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (e) and it shall not consent or agree to the occurrence of any Transaction until the Corporation has entered into an agreement with the successor or purchasing entity, as the case may be, for the benefit of the holders of the Series B Preferred Stock which will contain provisions enabling the holders of the Series B Preferred Stock which remains outstanding after such Transaction to convert into the consideration received by holders of Common Stock at the Conversion Price immediately after such Transaction. The provisions of this paragraph (e) shall similarly apply to successive Transactions.

(f) If:

(i) the Corporation shall declare a dividend (or any other distribution) on the Common Stock (other than a regular cash dividend that the Board of Directors determines can be maintained by the Company for at least four consecutive periods and that the Board of Directors intends to maintain for at least four consecutive periods, or a dividend that, together with all dividends paid in the prior twelve months, does not exceed one percent (1%) of the aggregate fair market value of the Series A Preferred Stock

and the Common Stock on the date such dividend is declared, in each case, out of profits or surplus); or

(ii) the Corporation shall authorize the granting to the holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(iii) there shall be any reclassification of the Common Stock (other than an event to which paragraph (d)(i) of this Section (7) applies) or any consolidation or merger to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or the sale or transfer of all or substantially all of the assets of the Corporation,

then the Corporation shall cause to be filed with the Transfer Agent and shall cause to be mailed to the holders of shares of the Series B Preferred Stock at their addresses as shown on the stock records of the Corporation, as promptly as possible, but at least 15 days prior to the applicable date specified in clauses (A) and (B) below, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights or warrants, are to be determined or (B) the date on which such reclassification, consolidation, merger, sale or transfer is expected, that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale or transfer. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section (7).

(g) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly file with the Transfer Agent an officers' certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to the holder of each share of Series B Preferred Stock at his or her last address as shown on the stock records of the Corporation.

(h) In any case in which paragraph (d) of this Section (7) provides that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any share of Series B Preferred Stock converted after such record date and before the occurrence of such event the additional



shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount in cash in lieu of any fraction pursuant to paragraph (c) of this Section (7).

(i) For purposes of this Section (7), the number of shares of Common Stock at any time outstanding shall not include any shares of Common Stock then owned or held by or for the account of the Corporation.

(j) Notwithstanding any other provision herein to the contrary, the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in shares of Common Stock under any such plan at a price per share of at least 95% of Current Market Price, and the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant to any employee benefit plan or program of the Corporation or pursuant to any option, warrant, right or exercisable, exchangeable or convertible security (including, but not limited to, Class A Stock) outstanding as of the date the Series B Preferred Stock was first designated, shall not be deemed to constitute an issuance of Common Stock or exercisable, exchangeable or convertible securities by the Corporation to which this Section (7) applies. There shall be no adjustment of the Conversion Price in case of the issuance of any stock of the Corporation in a reorganization, acquisition other similar transaction except as specifically set forth in this Section (7). If any action or transaction would require adjustment of the Conversion Price pursuant to more than one paragraph of this Section (7), only one adjustment shall be made and such adjustment shall be the amount of adjustment which has the highest absolute value.

(k) In case the Corporation shall take any action affecting the Common Stock, other than action described in this Section (7), which in the opinion of the Board of Directors would materially adversely affect the conversion rights of the holders of the shares of Series B Preferred Stock, the Conversion Price for the Series B Preferred Stock may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances.

(l) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversion of the Series B Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series B Preferred Stock not theretofore converted. For purposes

of this paragraph (1), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Series B Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value of the shares of Common Stock deliverable upon conversion of the Series B Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully-paid and nonassessable shares of Common Stock at such adjusted Conversion Price.

The Corporation will use all reasonable efforts to list the shares of Common Stock required to be delivered upon conversion of the Series B Preferred Stock prior to such delivery, upon 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.

Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series B Preferred Stock, the Corporation will use all reasonable efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(m) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversion of the Series B Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Series B Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the reasonable satisfaction of the Corporation, that such tax has been paid.

(8) Ranking. Any class or classes of stock of the  
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Corporation shall be deemed to rank:

(i) prior to the Series B 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 B Preferred Stock;

(ii) on a parity with the Series B 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 B Preferred Stock, if the holders of such class of stock and the Series B 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 B Preferred Stock, as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock shall be Common Stock or Class A Stock or if the holders of Series B 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

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from time to time required by law, holders of Series B Preferred Stock shall have no voting rights. Whenever, at any time or times, dividends payable on the shares of Series B Preferred Stock at the 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 holders of Series B Preferred Stock shall have the exclusive right, voting separately as a class with holders of shares of any one or more other series of preferred stock ranking on a parity with the Series B Preferred Stock as to dividends, or on the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, to elect two directors of the Corporation at the Corporation's next annual meeting of stockholders and at each subsequent annual meeting of stockholders. At elections for such directors, each holder of Series B Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any other series of preferred stock ranking on such a parity being entitled to such number of votes, if any, for each share of stock held as may be granted to them). Upon the vesting of such right of the holders of Series B Preferred Stock, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of outstanding Series B Preferred Stock (either alone or together with the holders of shares of any one or more other series of preferred stock ranking on such a parity and having like voting rights) as

hereinafter set forth. The right of holders of Series B Preferred Stock, voting separately as a class, to elect (either alone or together with the holders of shares of any one or more other series of preferred stock ranking on such a parity and having like voting rights) members of the Board of Directors as aforesaid shall continue until such time as all dividends accumulated on Series B Preferred Stock shall have been paid in full, at which time such right shall terminate, except as herein or by law expressly provided, subject to re-vesting in the event of each and every subsequent default of the character above mentioned.

If the office of any director elected by the holders of Series B Preferred Stock, voting as a class, becomes vacant by reason of death, resignation, retirement, disqualification or removal from office or otherwise, the remaining director elected by the holders of Series B Preferred Stock, voting as a class, 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 B Preferred Stock to vote for directors as herein provided, the term of office of all directors then in office elected by Series B Preferred Stock, voting as a class, shall terminate immediately. Whenever the term of office of the directors elected by the holders of Series B Preferred Stock, voting as a class, shall so terminate and the special voting powers vested in the holders of Series B Preferred 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 B Preferred Stock remain outstanding, the consent of the holders of at least two-thirds of the shares of Series B 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 B Preferred Stock as to dividends or the distribution or 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 right, preference or voting power of Series B Preferred Stock or of the holders thereof; 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 B 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 B 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  
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may deem and treat the record holder of any shares of Series B 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 Philippe P. Dauman, its Senior Vice President, General Counsel and Secretary, and attested by Katherine B. Rosenberg, its Assistant Secretary, this 17th day of November, 1993.

VIACOM INC.

By /s/ Philippe P. Dauman

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Philippe P. Dauman  
Senior Vice President,  
General Counsel and  
Secretary

(Corporate Seal)

Attest:

By /s/ Katherine B. Rosenberg

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Katherine B. Rosenberg  
Assistant Secretary

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION OR IS OTHERWISE IN COMPLIANCE WITH THE ACT AND SUCH LAWS.

NUMBER	SHARES
R 1	*24,000,000*

SERIES A CUMULATIVE CONVERTIBLE 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
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VIACOM  
VIACOM INC.  
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

This certifies that

BLOCKBUSTER ENTERTAINMENT CORPORATION

is the owner of Twenty-Four Million (24,000,000)-----

FULLY PAID AND NON-ASSESSABLE SHARES OF THE SERIES A CUMULATIVE CONVERTIBLE 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 A Cumulative Convertible Preferred Stock and the Bylaws, as amended, of the Corporation, to all of which the holder by acceptance hereof assents.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated: October 22, 1993

VIACOM INC. CORPORATE SEAL 1986	/s/ Frank J. Biondi, Jr.	/s/ Philippe P. Dauman
DELAWARE	President	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

.....  
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.....  
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.....

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION OR IS OTHERWISE IN COMPLIANCE WITH THE ACT AND SUCH LAWS.

NUMBER	SHARES
R 1	*24,000,000*

SERIES B CUMULATIVE CONVERTIBLE 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
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VIACOM  
VIACOM INC.  
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

This certifies that

NYNEX CORPORATION

is the owner of Twenty-Four Million (24,000,000)-----

FULLY PAID AND NON-ASSESSABLE SHARES OF THE SERIES B CUMULATIVE CONVERTIBLE 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 B Cumulative Convertible Preferred Stock and the Bylaws, as amended, of the Corporation, to all of which the holder by acceptance hereof assents.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated: November 19, 1993

VIACOM INC. CORPORATE SEAL 1986	/s/ Frank J. Biondi, Jr.	/s/ Philippe P. Dauman
DELAWARE	President	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 entirety
- 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

.....  
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.....  
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.....

[CONFORMED COPY]

VIACOM INC.  
1515 Broadway  
New York, New York

October 4, 1993

NYNEX Corporation  
335 Madison Avenue  
New York, New York 10017

Dear Sirs:

1. Subject to the terms and conditions set forth herein, NYNEX Corporation, a Delaware corporation (the "Purchaser"),  
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hereby subscribes for, and agrees to purchase, and Viacom Inc., a Delaware corporation (the "Company") agrees to issue and sell,  
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24,000,000 shares of a new series of convertible preferred stock of the Company designated Series B Convertible Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), for an  
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aggregate purchase price of \$1,200,000,000, representing a purchase price of \$50.00 per share. The terms of the Preferred Stock are set forth in the form of Certificate of Designation attached as Annex I hereto (the "Certificate of Designation"),  
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which terms are subject to amendment in accordance with the provisions hereof.

2. (a) The closing (the "Closing") of the purchase  
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provided for in paragraph 1 shall take place five Business Days after satisfaction of the conditions specified in paragraph 5 at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York. The date and time of the Closing are referred to herein as the "Closing Date". The Company and the Purchaser  
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currently anticipate that the Closing Date shall be on or about November 30, 1993.

(b) At the Closing, the Purchaser shall deliver to the Company \$1,200,000,000 in cash by wire transfer in immediately available funds to an account of the Company designated by the Company, by notice to the Purchaser prior to the Closing Date, and the Company shall deliver to the Purchaser a certificate representing the shares of Preferred Stock, registered in the name of the Purchaser.

3. (a) The Purchaser represents and warrants to the Company that: (i) the execution and delivery of this Agreement by the Purchaser and the performance of its obligations hereunder have been duly and validly authorized

by all necessary corporate action on the part of the Purchaser; (ii) this Agreement had been duly and validly executed and delivered by the Purchaser and, assuming the due authorization, execution and delivery by the Company and subject to compliance with the MFJ (as defined in paragraph 24 hereof), constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity at law); (iii) the execution, delivery and performance of this Agreement by the Purchaser and the purchase of Preferred Stock by the Purchaser do not conflict with or violate or 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 the Certificate of Incorporation or By-Laws or equivalent organizational documents of the Purchaser; (iv) the execution, delivery and, subject to

compliance with the MFJ, performance of this Agreement by the Purchaser do not, and the consummation of the transactions contemplated hereby by the Purchaser will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental authority with respect to the Purchaser, except under the 1934 Act; (v) the Purchaser is acquiring the Preferred Stock and the Common Stock of the Company issuable upon conversion of the Preferred Stock for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof; and (vi) the Purchaser is an "accredited investor" within the meaning of Rule 501 under the 1933 Act.

(b) Except as set forth in this paragraph 3, the Purchaser makes no other representation, express or implied, to the Company.

4. (a) The Company represents and warrants to the Purchaser that (i) each of the Company and each 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 Material Adverse Effect (as defined below); (ii) the execution and delivery of this Agreement by the Company and the issuance of the Preferred Stock in accordance with the terms of this Agreement and the Certificate of Designation have been duly and validly authorized by all necessary corporate action on the part of the Company; (iii) this Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or their similar laws relating to or affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law); (iv) the execution, delivery and performance of this Agreement by the Company do not, and the issuance of the Preferred Stock and the performance of the Company's obligations in accordance with the terms of this Agreement and the Certificate of Designation will not, conflict with or violate or 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 (A) the Certificate of Incorporation or By-Laws or equivalent organizational documents of the Company or any Subsidiary, (B) any law, rule, regulation, order, judgment or decree applicable to the Company or any Subsidiary, or (C) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any property or asset of the Company or any Subsidiary is bound or affected, except in the case of subclauses (B) and (C) above, for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay the issuance of the Preferred Stock in accordance with the terms of this Agreement and the Certificate of Designation in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement and the Certificate of Designation in any material respect, and would not, individually or in the aggregate, have a Material Adverse Effect; (v) the execution, delivery and performance of this Agreement by the Company do not, and the performance of this Agreement by the Company will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental authority with respect to the Company, except for the filing with the Secretary of State of the State of Delaware of the Certificate of Designation, filings after the Closing of the Certificate of Designation with appropriate authorities in states in which the Company is qualified as a foreign corporation, any filings required to effect the registration pursuant to paragraph 8 and any filings pursuant to federal and state securities laws which will be



timely made after the Closing hereunder; (vi) the Preferred Stock to be issued hereunder has been duly authorized and, upon issuance at the Closing, will be validly issued, fully paid and nonassessable, and free and clear of all security interests, liens, claims, encumbrances, pledges, options and charges of any nature whatsoever, and the issuance of such Preferred Stock will not be subject to preemptive rights of any other stockholder of the Company; (vii) prior to the Closing, the Certificate of Designation will have been filed with the Secretary of State of the State of Delaware in accordance with the Delaware General Corporation Law; (viii) the shares of Class B Common Stock, par value \$0.01 per share ("Class B Common Stock"), of the

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Company issuable upon conversion of the Preferred Stock have been duly authorized and reserved for issuance upon such conversion and, upon issuance of such shares in accordance with the Certificate of Designation, will be validly issued, fully paid and nonassessable; (ix) the authorized capital stock of the Company consists of 100,000,000 shares of the Company's Class A Common Stock, 150,000,000 shares of Class B Common Stock and 100,000,000 shares of Preferred Stock, par value \$0.01 per share ("Common Preferred Stock"); (x) as of August 31, 1993, (A)

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53,431,699 shares of the Company's Class A Common Stock and 67,282,799 shares of Class B Common Stock were issued and outstanding, all of which were validly issued, fully paid and nonassessable, (B) no shares were held in the treasury of the Company, (C) no shares were held by the Subsidiaries, and (D) 3,843,000 shares were reserved for future issuance pursuant to employee stock options or stock incentive rights granted pursuant to the Company's 1989 Long-Term Management Incentive Plan and the Company's Stock Option Plan for Outside Directors; (xi) as of the date hereof, no shares of Company Preferred Stock are issued and outstanding and there are no agreements, arrangements or understandings with respect to the issuance of any Company Preferred Stock other than the Stock Purchase Agreement dated September 29, 1993 between the Company and Blockbuster Entertainment Corporation; (xii) the Company has filed all forms, reports and documents required to be filed by it with the Securities and Exchange Commission ("Commission") since December

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31, 1990, and has heretofore made available to the Purchaser, in the form filed with the Commission (excluding any exhibits thereto), (A) its Annual Reports on Form 10-K for the fiscal years ended December 31, 1990, 1991 and 1992, respectively, (B) its Quarterly Reports on Form 10-Q for the periods ended March 31, 1993 and June 30, 1993, (C) all proxy statements relating to the Company's meetings of stockholders (whether annual or special) held since January 1, 1991 and (D) all other forms, reports and other registration statements (other than Quarterly Reports on Form 10-Q not referred to in clause (B) above and preliminary materials) filed by the Company with the Commission since December 31, 1990 (the forms, reports and other documents referred to in clauses (A), (B), (C), and (D) above being referred to herein, collectively, as the "SEC Reports"); (xiii)

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the SEC Reports and any other forms, reports and other documents filed by the Company with the Commission after the date of this Agreement (A) were or will be prepared in accordance with the

requirements of the 1933 Act and the 1934 Act, as the case may be, and the rules and regulations thereunder and (B) 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; (xiv) the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Reports were 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 the Company and its consolidated 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); (xv) since December 31, 1992 there has not been any change, occurrence or circumstance in the business, results of operations or financial condition of the Company or any Subsidiary having, individually or in the aggregate, a Material Adverse Effect, other than changes, occurrences and circumstances referred to in any subsequently filed SEC Reports; (xvi) there is no claim, action, proceeding or investigation pending or, to the best knowledge of the Company, threatened by any public official or governmental authority, against the Company or any Subsidiary, or any of their respective property or assets before any court, arbitrator or administrative, governmental or regulatory authority or body, which challenges the validity of this Agreement, the Certificate of Designation or the Preferred Stock or any action taken or to be taken pursuant hereto or, except as set forth in the SEC Reports, which is reasonably likely to have a Material Adverse Effect; and (xvii) neither the Company nor any Subsidiary is in conflict with, or in default or violation of, (A) any law, rule, regulation, order, judgment or decree applicable to the Company or any Subsidiary or by which any property or asset of the Company or any Subsidiary is bound or affected, or (B) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any property or asset of the Company or any Subsidiary is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Except as set forth in this paragraph 4, the Company makes no representation, express or implied, to the Purchaser.

(c) "Subsidiary" means a "significant subsidiary" of the  
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Company, as such term is defined in Regulation S-X promulgated under the 1933 Act.

(d) The term "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  
the Company and its Subsidiaries, taken as a whole.

(e) Notwithstanding anything to the contrary in this  
paragraph 4, any change to or effect on the business, results of  
operations or financial condition of the Company and its  
Subsidiaries that results, directly or indirectly, from (a)  
regulations adopted by the Federal Communications Commission,  
whether before or after the date hereof, governing financial  
interest in and syndication of broadcast programming or  
implementing the Cable Television Consumer Protection and  
Competition Act of 1992 or (b) the subject matter contemplated by  
the Company's Current Report on Form 8-K, dated September 13,  
1993 (the "Paramount Transaction"), shall not be considered for  
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purposes of determining whether a breach has occurred of any  
representation or warranty, covenant or agreement of the Company  
contained herein.

5. (a) The obligation of the Purchaser to consummate the  
Closing is subject to the satisfaction (or waiver by the  
Purchaser, at its sole discretion, except for clause (iv) below,  
which may not be waived by the Purchaser without the Company's  
consent) of the following conditions:

(i) (A) the Company shall have performed in all  
material respects all of its obligations hereunder required  
to be performed by it at or prior to the Closing Date, (B)  
the representations and warranties of the Company contained  
in this Agreement shall be true in all material respects  
(other than those contained in Paragraph 4(a)(xv), which  
shall be true in all respects) as of the Closing Date, as if  
made at and as of such date (except for any such  
representations and warranties that are expressly stated to  
be as of a different date) and (C) the Purchaser shall have  
received a certificate signed by an executive officer of the  
Company to the foregoing effect;

(ii) no judgment, injunction, order or decree shall  
materially restrict, prevent or prohibit the consummation of  
the Closing;

(iii) the Purchaser shall have received an opinion  
of Shearman & Sterling, dated the Closing Date,  
substantially in the form of Exhibit A hereto; and

(iv) as of the Closing, in the Purchaser's judgment,  
neither the Company nor any Company Affiliate (as defined in  
paragraph 24) shall be engaged in any Restricted Activity  
(as defined in paragraph 24).

(b) The obligation of the Company to consummate the  
Closing is subject to the satisfaction (or waiver by the Company  
at its sole discretion) of the following conditions:

(i) (A) the Purchaser shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date, (B) the representations and warranties of the Purchaser contained in this Agreement shall be true in all material respects at and as of the Closing Date, as if made at and as of such date (except for any such representations and warranties that are expressly stated to be as of a different date) and (C) the Company shall have received a certificate signed by an executive officer of the Purchaser to the foregoing effect;

(ii) no judgment, injunction, order or decree shall materially restrict, prevent or prohibit the consummation of the Closing; and

(iii) the Company shall have received an opinion of Raymond F. Burke, Esq., Executive Vice President, General Counsel and Secretary of the Purchaser, dated the Closing Date, substantially in the form of Exhibit B hereto.

6. Effective as of the Closing and for so long as the Purchaser and its Affiliates Beneficially Own at least 6,000,000 shares of Preferred Stock or the equivalent in number of shares of Preferred Stock and shares of Class B Common Stock issuable upon conversion of the Preferred Stock, the Purchaser shall be entitled to one representative on the Board of Directors of the Company, who shall serve in such capacity in accordance with the Restated Certificate of Incorporation and the By-Laws of the Company. Such representative shall initially be William C. Ferguson, who shall become a member of the Company's Board of Directors simultaneously with the Closing, and the Purchaser shall receive satisfactory evidence of this action.

7. (a) The Purchaser acknowledges that the shares of Preferred Stock and Class B Common Stock into which such Preferred Stock is convertible have not been registered under the 1933 Act or any state securities law, and hereby agrees not to offer, sell or otherwise transfer, pledge or hypothecate such shares unless and until registered under the 1933 Act and any

applicable state securities law or unless, in the opinion of counsel reasonably satisfactory to the Company, such offer, sale, transfer, pledge or hypothecation is exempt from registration or is otherwise in compliance with the 1933 Act and such laws.

(b) Upon issuance of the Preferred Stock, and until such time as the same is no longer required under the applicable requirements of the 1933 Act, the certificates evidencing the Preferred Stock (and all securities issued in exchange therefor or substitution thereof) shall bear the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION OR IS OTHERWISE IN COMPLIANCE WITH THE ACT AND SUCH LAWS.

8. Effective at the Closing, the Purchaser shall have the registration rights, and the Company shall have the obligations, set forth in Annex II.

9. (a) During the Put/Call Period (as defined below), the Company, at its option, shall have the right to purchase from the Purchaser and the Purchaser, at its option, shall have the right to sell to the Company, in each case at the Put/Call Price (as defined below), 12,000,000 shares of Preferred Stock.

(b) The Company or the Purchaser may each exercise the right granted to it in paragraph 9(a) by written notice to the other party at any time during the Put/Call Period and in the event such a notice is so delivered, the repurchase of the 12,000,000 shares of Preferred Stock by the Company (the "Put/Call Closing") shall occur at 10:00 a.m. at the place  
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specified in paragraph 2 hereof on the twentieth Business Day following the date such written notice is delivered.

(c) At the Put/Call Closing, the Company shall deliver to the Purchaser the Put/Call Price in cash by wire transfer in immediately available funds to an account of the Purchaser designated by the Purchaser by notice to the Company at least two Business Days prior to the date of the Put/Call Closing, and the Purchaser shall deliver to the Company a certificate representing the 12,000,000 shares of Preferred Stock, duly endorsed to the Company or accompanied by a stock power duly executed to the Company, in proper form for transfer, which shares shall be transferred by the Purchaser to the Company free and clear of any encumbrances or adverse claims.

(d) For the purposes of this paragraph 9, the following terms shall have the following meanings:

(i) "Put/Call Period" shall mean the period of 120

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days following the earlier of (A) August 31, 1994, if, and only if, the Company or any of its Affiliates has not acquired Beneficial Ownership of a majority of the outstanding voting capital stock of Paramount Communications Inc. ("PCI") prior to August 31, 1994 or (B) the date on

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which any party other than the Company or any of its Affiliates acquires Beneficial Ownership of a majority of the voting capital stock of PCI; and

(ii) "Put/Call Price" shall mean \$600,000,000,

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representing the aggregate liquidation preference of the 12,000,000 shares of Preferred Stock, plus the aggregate amount

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of accrued and unpaid dividends on such shares of Preferred Stock to the date of the Put/Call Closing (whether or not earned or declared).

(e) The Company agrees not to enter into any contract, agreement, arrangement or understanding, nor to take or omit to take any action, that would restrict or impair the performance of its obligations under this paragraph 9, and the Company represents and warrants that it is neither a party to nor bound by any such contract, agreement, arrangement or understanding on the date hereof.

10. In the event that, until the earlier of (a) the date of the expiration of the Put/Call Period or (b) the consummation of the acquisition by the Company or any of its Affiliates of Beneficial Ownership of a majority of the outstanding voting capital stock of PCI, the Company issues new shares of preferred stock (other than through an offering intended to result in a distribution thereof to more than 35 non-accredited investors, which shall be on market terms) the terms of the Preferred Stock and the terms of Annex II hereto shall be amended in order to be at least as favorable to the holders of such Stock as those of such new shares.

11. (a) In the event of a Change of Control (as defined below) of the Company, the Purchaser, at its option, shall have the right to sell to the Company or its assignee, at the Designated Price (as defined below), all shares of the Preferred Stock then held by the Purchaser and its Affiliates.

(b) The Purchaser may exercise the right granted to it in paragraph 11(a) by written notice to the Company at any time during the 30-day period following public announcement of such Change of Control and in the event such a notice is so delivered, the repurchase of such shares of Preferred Stock by the Company (the "Paragraph 11 Closing") shall occur at 10:00 a.m. at the

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place specified in paragraph 2 hereof on the twentieth Business Day following the date such written notice is delivered.

(c) At the Paragraph 11 Closing, the Company or its assignee shall deliver to the Purchaser the Designated Price in cash by wire transfer in immediately available funds to an account of the Purchaser designated by the Purchaser by notice to the Company at least two Business Days prior to the date of the Paragraph 11 Closing, and the Purchaser shall deliver to the Company a certificate representing the shares of Preferred Stock referred to in paragraph 11(a), duly endorsed to the Company or accompanied by a stock power duly executed to the Company, in proper form for transfer, which shares shall be transferred by the Purchaser to the Company free and clear of any encumbrances or adverse claims.

(d) For the purposes of this paragraph 11, the following terms shall have the following meanings:

(i) A "Change of Control" of the Company shall occur

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if a Person Beneficially Owns more voting capital stock, on a fully diluted basis, of the Company than National Amusements, Inc., Sumner M. Redstone, any trust established by Mr. Redstone or of which he is the settlor, beneficiary or trustee and any heir, executor, administrator, or personal representative of Mr. Redstone or his estate, and any person or entity in any similar capacity, or any Affiliate of any of the foregoing (collectively, the "Group"), or the Group Beneficially Owns 30% or less of the

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voting capital stock, on a fully diluted basis, of the Company.

(ii) "Designated Price" shall mean the sum of (A) 110% multiplied by the aggregate liquidation preference of the shares of Preferred Stock referred to in paragraph 11(a), plus

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(B) the aggregate amount of accrued and unpaid dividends on such shares of Preferred Stock to the date of the Paragraph 11 Closing.

12. (a) From and after the Closing and for so long as the Purchaser is a significant investor in the Company (which is understood to mean Beneficial Ownership by the Purchaser and its Affiliates of at least 10,000,000 shares of the Preferred Stock or the equivalent in number of shares of Preferred Stock and shares of Class B Common Stock issuable on conversion of the

Preferred Stock), subject to any conflicting arrangements existing on the date hereof and applicable laws, (i) the Company agrees to provide the Purchaser and the Purchaser's Affiliates access to video programming and programming packages originated (or supplied, if the Company has the right to provide such access) by the Company or any controlled Affiliates of the Company, and (ii) the Purchaser agrees to provide the Company and the Company's Affiliates access to the distribution systems of the Purchaser and any controlled Affiliates of the Purchaser for video programming and programming packages originated (or supplied, if the Company has the right to provide such access) by the Company or any Affiliates of the Company, in the case of both (i) and (ii) on aggregate terms negotiated in good faith by the Company and the Purchaser to permit the Purchaser to effectively compete in the delivery of video programming.

(b) From and after the Closing and for so long as the Purchaser is a significant investor in the Company (as specified in paragraph 12 (a) above), subject to any conflicting arrangements existing on the date hereof and applicable laws, (a) the Purchaser shall have a right of first refusal, exercisable within 60 days of written notice by the Company, with respect to providing telephony service upgrade expertise to the Company's controlled cable systems and (b) with respect to any non-controlled cable systems of the Company, the Company shall use its reasonable best efforts to offer the Purchaser an opportunity to provide telephony service upgrade expertise to such non-controlled cable systems.

(c) The Purchaser and the Company agree, for a period of 24 months following the Closing, in good faith to explore and pursue appropriate strategic partnership opportunities in the domestic and international media, entertainment, video transport and telecommunications sectors (including, without limitation, domestic and international cable systems); provided that the

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provisions of this paragraph 12(c) shall terminate, at the option of either the Company or the Purchaser, in the event that paragraph 24(g) shall become applicable, unless and until the Purchaser reinvests in Preferred Stock and/or Class B Common Stock as contemplated by paragraph 24(g)(iv).

13. (a) The representations and warranties contained in this Agreement shall survive the Closing until the first anniversary of the Closing Date.

(b) The Purchaser and its Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by the Company for any and all liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including, without limitation, reasonable attorneys' fees and expenses) (a "Loss")

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actually suffered or incurred by them, arising out of or resulting from the breach of any representation or warranty or covenant of the Company contained in this Agreement.



(c) The Company and its Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by the Purchaser for any and all Losses actually suffered or incurred by them, arising out of or resulting from the breach of any representation or warranty or covenant of the Purchaser contained in this Agreement.

14. (a) The Purchaser agrees that neither the Purchaser nor any of its Affiliates shall participate in any transaction that, directly or indirectly, would have the effect of precluding or competing with the Paramount Transaction.

(b) The Company agrees that in the event the Company intends to engage in additional equity financing in connection with the Paramount Transaction (other than equity to be issued to stockholders of PCI as consideration in such transaction), the Company shall consult with the Purchaser.

(c) The Company agrees that prior to consummation of the Paramount Transaction, the Company shall receive an opinion from Smith Barney Shearson Inc. that the consideration actually to be paid by the Company in such transaction is fair, from a financial point of view, to the stockholders of the Company.

15. The Purchaser, on the one hand, and the Company, on the other, acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to equitable relief (including injunction and specific performance) in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, as a remedy for any such breach or to prevent any breach of this Agreement. Such remedies shall not be deemed to be the exclusive remedies for a breach or anticipatory breach of this Agreement, but shall be in addition to all other remedies available at law or equity to the parties hereto. To the extent permitted by applicable law, the parties hereto irrevocably submit to the exclusive jurisdiction of the courts of the State of New York and the United States of America located in the State of New York for any suits, actions or proceedings arising out of or relating to this Agreement. Notwithstanding the foregoing, any dispute as to the matters specified in the proviso to paragraph 24(g)(i)(A) as being subject to arbitration shall be subject to arbitration in the Borough of Manhattan in the City of New York in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award returned by the arbitrators may be entered in any court having jurisdiction thereof. The expenses of arbitration shall be borne by the party against whom the decision is rendered.

16. This Agreement, its Annexes and Exhibits contain the entire understandings of the parties with respect to the subject matter hereof, thereby superseding all prior agreements of the parties relating to the subject matter hereof (other than the Confidentiality Agreement entered into between the Purchaser and the Company dated September 24, 1993), and may not be amended except by a writing signed by the parties. Except as otherwise provided herein, this Agreement is not assignable by any of the parties; provided that the Purchaser may assign its rights and

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obligations under this Agreement to a wholly owned subsidiary of the Purchaser, so long as the Purchaser shall remain liable for all financial and performance obligations of the Purchaser hereunder. This Agreement shall be binding upon, and inure to the benefit of, the respective successors of the parties. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

17. Any notices and other communications required to be given pursuant to this Agreement shall be in writing and shall be given by delivery by hand, by mail (registered or certified mail, postage prepaid, return receipt requested) or by facsimile transmission or telex, as follows:

If to the Company:

Viacom Inc.  
1515 Broadway  
New York, New York 10036  
Attention: Philippe P. Dauman  
Facsimile No.: 212-258-6134

With a copy to:

Shearman & Sterling  
599 Lexington Avenue  
New York, New York 10022  
Attention: Stephen R. Volk  
Facsimile No.: 212-848-7179

If to the Purchaser:

NYNEX Corporation  
1113 Westchester Avenue  
White Plains, New York 10604-3510  
Attention: Frederic V. Salerno  
Facsimile No.: 914-644-7649

With copies to:

NYNEX Corporation  
1113 Westchester Avenue  
White Plains, New York 10604-3510  
Attention: Raymond F. Burke  
Facsimile No.: 914-644-6604

and

Skadden, Arps, Slate, Meagher & Flom  
919 Third Avenue  
New York, New York 10022  
Attention: Roger S. Aaron  
Facsimile No.: 212-735-2001

or to such other addresses as either the Company or the Purchaser shall designate to the other by notice in writing.

18. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" shall mean any Person that (i)

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directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified or (ii) is (A) the specified Person's spouse, parent, child, brother or sister or any issue of the foregoing (for purposes of the definition of Affiliate, issue shall include Persons legally adopted into the line of descent), (B) any corporation or organization of which the Person specified or such specified Persons's spouse, parent, child, brother or sister or any issue of the foregoing is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent or more of any class of voting stock, and (C) any trust or other estate in which the specified Person or such specified Person's spouse, parent, child, brother or sister or any issue of the foregoing serves as trustee or in a similar fiduciary capacity and (D) the heirs or legatees of the specified Person by will or under the laws of descent and distribution.

(b) "Beneficially Own" with respect to any securities

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and "Beneficial Ownership" shall mean having beneficial ownership  
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as determined pursuant to Rule 13d-3 under the 1934 Act including pursuant to any agreement, arrangement or understanding, whether or not in writing.

(c) "Business Day" has the meaning specified in the

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Certificate of Designation.

(d) "Person" shall mean any individual, partnership,

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joint venture, corporation, trust, incorporated organization, government or department or agency of a government, or any entity that would be deemed to be a "person" under Section 13(d)(3) of the 1934 Act.

(e) "1933 Act" means the Securities Act of 1933, as

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amended.

(f) "1934 Act" means the Securities Exchange Act of

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1934, as amended.

19. Subject to the terms and conditions of this Agreement, each of the parties hereby agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, rules and regulations to consummate and make effective the transactions contemplated by this Agreement, including using its best efforts to obtain all

necessary waivers, consents and approvals. In case at any time after the execution of this Agreement, further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each of the parties shall take all such necessary action.

20. (a) For so long as the Purchaser and its Affiliates shall Beneficially Own all of the outstanding Preferred Stock, the provisions of this paragraph 20 shall apply.

(b) In case the Company shall distribute (in one distribution or a series of related distributions) to all holders of its Class A and Class B Common Stock any Securities (as defined in Section 7(d)(iii) of the Certificate of Designation) with an aggregate fair market value (as determined by the Board of Directors of the Company, whose determination shall, if made in good faith, be conclusive) of more than \$300,000,000, then in each such case, unless the Company elects to reserve shares or other units of such Securities for distribution to the holders of the Preferred Stock as described in Section 7(d)(iii) of the Certificate of Designation, the following provisions shall apply, at the election of the Purchaser by written notice to the Company as provided in paragraph 20(f) below (the "Election Notice"):  
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(i) Securities shall be distributed to the Purchaser in the amount and kind which the Purchaser would have received if the Purchaser had, immediately prior to the record date for the distribution of the Securities, converted its shares of Preferred Stock into Class B Common Stock;

(ii) The Purchaser shall be deemed to have consented by delivery of the Election Notice, without the need for further vote or action on the part of the Purchaser, to amend the Certificate of Designation, effective on the date of the distribution of the Securities, to change the terms of the Preferred Stock to reflect the terms of the Redesignated Preferred Stock (as defined below) as determined by the Redesignation Agent (as defined below) in accordance with the provisions of paragraph 20(c) below; and

(iii) Prior to the date of distribution of the Securities, the Company shall file with the Secretary of State of the State of Delaware the Certificate of Designation as amended as provided in clause (b)(ii) above.

(c) The terms of the Redesignated Preferred Stock shall be determined by the Redesignation Agent as follows:

(i) The Redesignation Agent shall determine the Trading Price (as defined below) for the twenty trading days immediately prior to the record date for the distribution of

the Securities and the Trading Price for the twenty trading days immediately after the record date for the distribution of the Securities and shall determine the difference, stated as a dollar amount, in the per share Trading Price between such two periods (the "Dollar Trading Difference");  
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(ii) The Redesignation Agent shall then multiply the Dollar Trading Difference by the total number of shares of Class B Common Stock that the Preferred Stock would be convertible into immediately prior to the record date for the distribution of the Securities (the product of such multiplication, the "Aggregate Dollar Trading Difference");  
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and

(iii) The Redesignation Agent shall then adjust the dividend rate, redemption prices, liquidation preference and/or conversion price (without affecting the number of underlying shares of Class B Common Stock) of the Preferred Stock as specified in the Certificate of Designation, but no other terms of the Preferred Stock, as necessary so that the difference in the fair market value, in the aggregate, of the Preferred Stock prior to the distribution of the Securities and after the distribution of Securities shall be as closely as possible equivalent to the Aggregate Dollar Trading Difference (the Preferred Stock with the terms so adjusted, the "Redesignated Preferred Stock").  
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(d) "Trading Price" for the Class B Common Stock  
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for any given period shall be the average of the closing prices for the Class B Common Stock for the trading days included in such period on the American Stock Exchange or, if the American Stock Exchange is not the exchange on which the Class B Common Stock is principally traded, such exchange.

(e) (i) "Redesignation Agent" shall mean an  
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investment banking firm of national standing chosen in the following manner: the Purchaser shall propose three such investment banking firms to the Company in writing within five Business Days of the delivery of the Election Notice by the Purchaser to the Company and within five Business Days of such firms being so proposed, the Company shall select by written notice to the Purchaser one such firm to serve as the Redesignation Agent.

(ii) All determinations of the Redesignation Agent shall, if made in good faith, be conclusive.

(iii) All fees of the Redesignation Agent shall be paid by the Company.

(f) If at any time the Board of Directors of the Company determines to make a distribution of Securities to which the provisions of this paragraph 20 would apply, the Company shall notify the Purchaser in writing as soon as

practicable and, if the Purchaser decides to elect to have the provisions of this paragraph 20 apply to such distribution, the Purchaser shall so notify the Company within 15 Business Days of such notice from the Company. The record date for any such distribution of Securities shall not be before the earlier of 15 Business Days after the Purchaser gives such notice to the Company and the expiration of the 15 Business Day period for the giving of such notice.

(g) If the Purchaser elects to have the provisions of this paragraph 20 apply in the case of a distribution of Securities, (i) the Purchaser shall thereby waive compliance with the provisions of Section 7 of the Certificate of Designation that would otherwise apply in such case; (ii) the put/call provisions of paragraph 9 of this Agreement shall apply to the Redesignated Preferred Stock and the Put/Call Price shall be appropriately adjusted; and (iii) the Purchaser agrees that it shall not trade in the Class B Common Stock during either of the Trading Periods referred to in paragraph 20(c)(i) above.

21. The Company agrees that, for so long as the Purchaser holds Preferred Stock, the term "ratably", as used in the Company's Restated Certificate of Incorporation with respect to the rights of holders of the Company's common stock to receive dividends and distributions of assets upon liquidation, will be interpreted to mean treating Class A Common Stock and Class B Common Stock as a single class.

22. The Company agrees that, for so long as the Purchaser and its Affiliates Beneficially Own all of the outstanding Preferred Stock, upon the conversion of any shares of Preferred Stock the Purchaser shall be entitled to receive an amount equal to dividends accrued during the Dividend Period in which such conversion occurs and up to the date of the conversion, less any amounts previously paid with respect to any portion of such Dividend Period. Such amounts shall be paid promptly after such conversion.

23. The parties agree to consult with each other before taking any action that would require the issuance of, or issuing, any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any securities exchange, will not take any such action, issue any such press release or make any such public statement prior to such consultation.

24. (a) The Company agrees that it shall take, and shall cause its Affiliates to take, Corrective Action (as defined in paragraph 24(d)) so that, in the Purchaser's judgment, as of and from and after the Closing, neither the Company nor any Company Affiliate, shall, directly or indirectly and whether by acquisition or otherwise, engage in any Restricted Activity.

(b) Both before and after the Closing, in performing its obligations under this paragraph 24, the Company shall consult with the Purchaser in good faith regarding which activities are Restricted Activities and which Persons are Company Affiliates, and the Company and the Purchaser shall consult in good faith and cooperate with respect to any Corrective Action.

(c) For the purposes of this paragraph 24 and paragraph 5(a)(iv):

(i) an activity shall be a Restricted Activity

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if, in the Purchaser's judgment, such activity would be reasonably likely to violate the "Modification of Final Judgment" consent decree entered in United States v.

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American Telephone and Telegraph Co., 552 F. Supp. 131

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(1982) (the "MFJ"); and  
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(ii) a person shall be a Company Affiliate if, in the

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Purchaser's judgment, such Person would be reasonably likely to be considered a "Bell Operating Company" or an "affiliated enterprise" of the Purchaser because of a relationship with the Company (as such terms in quotes are defined in or interpreted under the MFJ).

(d) "Corrective Action" shall mean any and all action

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necessary to assure that neither the Company nor any Company Affiliate is engaged in any Restricted Activity, including but not limited to discontinuing, modifying or transferring ownership of activities, deferring commencement of proposed activities or proposing alternative structures of the Purchaser's investment that, in the Purchaser's judgment, are of the same kind and magnitude (including aggregate strategic and economic rights and benefits) as the investment contemplated by this Agreement, all within the framework of not materially and adversely affecting the business or strategic objectives of the Company.

(e) (i) The Purchaser agrees to deal in good faith with the Company under this paragraph 24 and the Purchaser agrees to consider in good faith any request by the Company that the Purchaser apply for waivers, clarifications or other relief from the relevant competent authority that would permit the Company and Company Affiliated to engage in activities that would or might constitute Restricted Activities in the absence of such waivers, clarifications or other relief and the Company acknowledges that the Purchaser is not required to file such applications if, in the Purchaser's judgment, such applications could materially and adversely affect matters affecting the Purchaser or its Affiliates pending before such authority.

(ii) The Purchaser also agrees to consider in good faith the restructuring of the Purchaser's investment contemplated by this Agreement so as to permit activities by

the Company and its Affiliates that would otherwise constitute Restricted Activities, while maintaining for the Purchaser, in its judgment, an investment of the same kind and magnitude (including aggregate strategic and economic rights and benefits) as the investment contemplated by this Agreement.

(f) If after the Closing, the Company or any Company Affiliate proposes to, directly or indirectly and whether by acquisition or otherwise, engage in an activity that may fall within the MFJ, the Company shall notify the Purchaser as soon as practicable but in no event less than 30 days in advance of doing so and the Company and the Purchaser shall, as provided in paragraph (b) above, consult in good faith regarding whether such activity is a Restricted Activity. If the Company and the Purchaser mutually agree in writing that such activity is not a Restricted Activity, such activity shall be an "Agreed

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Unrestricted Activity". If the Company and the Purchaser

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mutually agree in writing that such activity is a Restricted Activity, such activity shall be an "Agreed Restricted Activity".

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If the Company determines that such activity is not a Restricted Activity and the Purchaser determines that such activity is a Restricted Activity, such activity shall be a "Disputed

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Restricted Activity".

(g) (i) If, after the Closing, in the Purchaser's judgment, the Company or any Company Affiliate, directly or indirectly and whether by acquisition or otherwise, engages in any Restricted Activity, and the Company fails or is unable to take Corrective Action that, in the Purchaser's judgment, is reasonably likely to eliminate the Restricted Activity on a timely basis, then the Purchaser, at its option and by written

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notice to the Company, shall have the right to elect to do one or more of the following: (x) require the Company to purchase (the "Put Right") all or part of the Preferred Stock and any Class B

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Common Stock issued upon conversion of the Preferred Stock then Beneficially Owned by the Purchaser (together, the "Subject

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Stock") at a price (the "Put Price") specified below; (y) require

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the Company to promptly register all or part of the Subject Stock pursuant to the registration rights provided in paragraph 8 (a "Registered Offering"); and (z) sell all or part of the Subject

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Stock privately (a "Private Sale:). If the Purchaser exercises

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the Put Right because (x) the MFJ was judicially modified after the date hereof so as to cause an activity that was not previously a Restricted Activity to become a Restricted Activity or (y) a court having jurisdiction over the interpretation and enforcement of the MFJ determines that an Agreed Unrestricted Activity is a Restricted Activity, then the Put Price shall be the Market Price. If the Purchaser exercises the Put Right because of (x) an activity which the Company did not previously notify the Purchaser of in accordance with paragraph (f) above, (y) an Agreed Restricted Activity, or (z) a Disputed Restricted Activity, then the Put Price shall be the Default Price.



(A) The "Default Price" shall mean:

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(1) With respect to Preferred Stock, the aggregate liquidation preference of all shares of Preferred Stock purchased by the Company (the "Aggregate Liquidation Preference"), plus accrued and unpaid dividends through the date of such purchase (whether or not earned or declared), plus an amount equal to a 7% annual compounded rate of return on the Aggregate Liquidation Preference from the date of Closing to the date of purchase by the Company; provided that if (a) the activity (other than Agreed Restricted Activity) with respect to which the Purchaser exercised the Put Right is later determined by the arbitration provided for in paragraph 15 not to be a Restricted Activity or (b) if the activity with respect to which the Purchaser exercised the Put Right is an activity of which the Company did not previously notify the Purchaser in accordance with paragraph (f) above and it is determined by the arbitration provided for in paragraph 15 that, notwithstanding such failure, the Company was exercising reasonable due diligence to identify Restricted Activities and to notify the Purchaser thereof pursuant to paragraph (f) above, then, the annual compounded rate of return on the Aggregate Liquidation Preference shall be 2%, instead of 7% (and any payments made on the basis of the 7% rate shall be subject to refund to implement such adjustment); and

(2) With respect to Class B Common Stock, the price per share equal to 100% of the Trading Price (as defined in paragraph 20(d)) for the 20 trading days immediately prior to the date of purchase by the Company.

(B) The "Market Price" shall mean:

(1) With respect to the Preferred Stock, the price per share equal to its stated liquidation preference, plus accrued and unpaid dividends to the date of purchase by the Company (whether or not earned or declared); and

(2) With respect to Class B Common Stock, the price per share equal to 100% of the Trading Price for the 20 trading days immediately prior to the date of purchase by the Company.

(iii) In any instance in which the Purchaser or its Affiliates would be entitled to receive the Default Price under this paragraph 24(g) and elects to dispose of the Preferred Stock to which such Default Price would be applicable either in a Registered Offering or a Private Sale, the Company shall be obligated to pay to the Purchaser or such Affiliates the amount, if any, by which the gross proceeds to the Purchaser or such Affiliates, after deducting underwriting commissions and discounts or agency fees, realized in such disposition is less than the

aggregate Default Price that would have been payable to the Purchaser and such Affiliates by the Company had the Purchaser or such Affiliates elected to require the Company to purchase such Preferred Stock under this paragraph 24(g); provided, however, that the Company shall not be obligated

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to make any such payment in any instance in which the Purchaser or any Affiliate rejects the Company's written request, if such a request is made by the Company by written notice to the Purchaser within 5 Business Days of receipt by the Company of Purchaser's notice pursuant to (g)(i) above (and which the Company shall be entitled to make in its discretion), to purchase such Preferred Stock from the Purchaser or such Affiliate at the Default Price, which right the Purchaser shall have in its discretion.

(iv) In any instance in which (A) the Company has purchased Preferred Stock or Class B Common Stock from the Purchaser or its Affiliates pursuant to this paragraph 24(g) and (B) the Company has taken Corrective Action within 180 days after the date of such purchase so that the Company and Company Affiliates are not engaged, in the Purchaser's judgment, in any Restricted Activity, the Purchaser shall be obligated to reinvest as soon as commercially possible in such number of shares of Preferred Stock and of Class B Common Stock as were so purchased by the Company for a purchase price, in cash, equal to the amount paid to the Purchaser by the Company pursuant to this paragraph 24(g). From and after any purchase by the Company of Preferred Stock or Class B Common Stock from the Purchaser or its Affiliates pursuant to this paragraph 24(g), at the option of either the Company or the Purchaser by written notice to the other, the Company and the Purchaser shall continue to take Corrective Action in accordance with this paragraph 24 for a period of 180 day after the date of such purchase by the Company.

(v) In recognition of time being of the essence with respect to any purchase by the Company of Preferred Stock or Class B Common Stock pursuant to this paragraph 24(g), such purchase shall occur as soon as commercially possible, but in no event more than 20 Business Days, after receipt of a written notice by the Purchaser to the Company requesting such purchase in accordance with the terms of this paragraph 24(g). Unless otherwise agreed by the Purchaser, all payments due to the Purchaser from the Company under this paragraph 24(g) shall be in cash.

(h) The Purchaser agrees that paragraph 5(a)(iv) and this paragraph 24 embody the Purchaser's exclusive remedies against the Company under this Agreement with respect to the MFJ.

25. The Company agrees that, for so long as the Purchaser and its Affiliates Beneficially Own all of the outstanding Preferred Stock, the Purchaser shall not amend,

alter or repeal any of the provisions of the Certificate of Designation without the consent of the Purchaser.

26. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state.

Very truly yours,

VIACOM INC.

By /s/ Sumner M. Redstone  
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Accepted and agreed on  
the date written above:

NYNEX CORPORATION

By /s/ W.C. Ferguson  
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VIACOM INC.  
1515 Broadway  
New York, New York

November 19, 1993

NYNEX Corporation  
335 Madison Avenue  
New York, New York 10017

Dear Sirs:

Reference is made to the Agreement between NYNEX Corporation and Viacom Inc., dated October 4, 1993 (the "Agreement"). Terms defined in the Agreement are used herein as therein defined, unless otherwise defined herein.

1. The Agreement is hereby amended as follows:

(a) Paragraph 2 is amended by deleting paragraph 2(a) in its entirety and by replacing it with the following:

"(a) The closing (the "Closing") of the purchase

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provided for in paragraph 1 shall take place as soon as practicable, but in no event more than five Business Days, after satisfaction of the conditions specified in paragraph 5 at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York. The date and time of the Closing are referred to herein as the "Closing Date". The

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Company and the Purchaser currently anticipate that the Closing Date shall be on or about November 19, 1993."

(b) Paragraph 5(a) is amended by deleting the word "and" at the end of paragraph 5(a)(iii) and by adding after paragraph 5(a)(iv) the following new paragraphs 5(a)(v), (vi), (vii), and (viii):

"(v) PVI Transmission Inc. ("Transco") shall have been duly and validly incorporated under the laws of the State of Delaware, the Identified Activities (as hereinafter defined) shall have been transferred to Transco as described in the certificate referred to in paragraph 5(a)(i)(C) above, and the shares of common stock and Non-Participating Preferred Stock (as hereinafter defined) of Transco shall have been issued, all as provided in paragraph 25 hereof;

(vi) No claims, proceedings, suits or investigations shall have been initiated or threatened by or before any court, governmental department, commission, bureau, board, agency or instrumentality, against the Purchaser or any other "Bell Operating Company" or any "affiliated enterprise" of a "Bell Operating Company" (as such terms in quotes are defined in or interpreted under the MFJ (as defined in

paragraph 24)) that challenge or otherwise call into question the effectiveness, as a means of insuring from and after the Closing the Purchaser's compliance with the MFJ, of the transfer of the Identified Activities and the PCI Activities (as hereinafter defined) to Transco in consideration of the issuance of the Transco Non-Participating Preferred Stock to the Company (or its subsidiaries) or, in the case of the PCI Activities, to PCI (or its subsidiaries);

(vii) There shall exist no writ, judgement, order, ruling decree or interpretation by a court, governmental department, commission, bureau, board, agency or instrumentality that changes or modifies prior interpretations of the MFJ or other precedent involving the MFJ such that the ownership of the Preferred Stock by the Purchaser, in the Purchaser's judgment, would cause the Company or any Company Affiliate to be engaged in a Restricted Activity, notwithstanding the formation of Transco, the transfer thereto of the Identified Activities and the PCI Activities and the issuance to the Company (or its subsidiaries) or, in the case of the PCI Activities, to PCI (as hereinafter defined) (or its subsidiaries) of the Non-Participating Preferred Stock of Transco, all as provided in paragraph 25 hereof; and

(viii) The certificate referred to in paragraph 5(a)(i)(C) above shall describe procedures and undertakings by the Company and PCI to provide for the implementation of the provisions of paragraph 25 hereof as regards the PCI Activities, which procedures and undertakings, and the proposed implementation thereof, shall be reasonably satisfactory to the Purchaser."

(c) Paragraph 11 is amended by deleting paragraph 11(d)(i) in its entirety and by replacing it with the following:

"(i) A "Change of Control" of the Company shall

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occur if a Person Beneficially Owns more voting capital stock, on a fully diluted basis, of the Company than National Amusements, Inc. ("NAI"), Sumner M. Redstone, any trust established by Mr. Redstone or of which he is the settlor, beneficiary or trustee and any heir, executor, administrator, or personal representative of Mr. Redstone or his estate, and any person or entity in any similar capacity, or any Affiliate of any of the foregoing, (collectively, the "Group"), or the Group

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Beneficially Owns 30% or less of the voting capital stock, on a fully diluted basis, of the Company; provided, however, that NAI shall no longer be included in the Group if a Person Beneficially Owns more voting capital stock, on a fully diluted basis, of NAI than the Group, or the Group Beneficially Owns 30% or less

of the voting capital stock, on a fully diluted basis,  
of NAI."

(d) Paragraph 15 is amended by inserting in the penultimate sentence thereof, after "paragraph 24(g)(i)(A)", the following:

"or paragraph 25(g)".

(e) Paragraph 16 is amended by inserting in the first sentence thereof, after "Annexes", the following:

", the Disclosure Schedule (as hereinafter defined)".

(f) Paragraph 24 is amended by deleting the first sentence of paragraph 24(c) and replacing it with the following:

"(c) For the purposes of this paragraph 24, paragraph 25 and paragraphs 5(a)(iv) and 5(a)(vii):",

and is further amended by deleting paragraph 24(h) in its entirety and by replacing it with the following:

"(h) The Purchaser agrees that paragraph 5(a)(iv), this paragraph 24 and paragraph 25 embody the Purchaser's exclusive remedies against the Company under this Agreement with respect to the MFJ."

(g) The Agreement is amended by adding new paragraph 25 as set forth below:

"25. (a) The Company agrees that it shall take, and shall cause its Affiliates to take, as promptly as practicable, all action necessary (i) to duly and validly incorporate Transco as a Delaware corporation having a certificate of incorporation and by-laws substantially in the form of Annex III hereto, (ii) to contribute (or cause its subsidiaries to contribute) to the capital of Transco the several assets identified in the disclosure schedule (the "Disclosure Schedule") delivered by the Company to the Purchaser on November 19, 1993 (the "Identified Activities"), subject to the liabilities associated therewith, in consideration of the issuance to the transferor(s) of the Identified Activities of a number of shares of non-participating preferred stock of Transco, with the rights and preferences specified in the certificate of designation included in Annex III (the "Non-Participating Preferred Stock"), determined pursuant to paragraph (c) below. Such contribution shall be made concurrently with the contribution by NAI (or a subsidiary of NAI) of \$1,850,000 in consideration of the issuance to NAI (or such subsidiary) of 100 shares of common stock of Transco.

(b) Notwithstanding any other provision in paragraph 24 to the contrary, (i) the Company and the Purchaser, in anticipation of the acquisition by the Company and/or its Affiliates of more than 50% of the outstanding shares of common stock of PCI (the "Acquisition"), shall continue good faith discussions with each other so as to identify the specific assets and operations of PCI which constitute Restricted Activities (the "PCI Activities") (which assets and operations, based on such discussions to date, are described in the Disclosure Schedule), it being understood that in the case of disagreement, the Purchaser ultimately shall have the right to determine, in the Purchaser's judgment, which assets and operations of PCI constitute Restricted Activities, and (ii) the Company agrees that it shall take, and cause its Affiliates to take, all action necessary to contribute (or cause to be contributed) the PCI Activities, subject to the liabilities associated therewith, to Transco in consideration of the issuance to the transferor(s) of the PCI Activities of a number of shares of Non-Participating Preferred Stock of Transco determined pursuant to paragraph (c) below. The contribution of the PCI Activities to Transco provided for in this paragraph (b) shall be made concurrently with the consummation of the Acquisition; except, that, if approval of the Acquisition

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shall not have been obtained from the Federal Communications Commission prior to the consummation of the Acquisition and as a result the shares of PCI acquired by the Company are deposited at the time of the Acquisition in a voting trust pursuant to a special temporary authorization granted by the Federal Communications Commission, which voting trust prevents the Company and its Affiliates from directly or indirectly influencing the trustee under such voting trust concerning the operation or management of the PCI Activities, then such contribution of the PCI Activities to Transco need not be made until the date of termination of such voting trust.

(c) The contributions to Transco of the Identified Activities and the PCI Activities as described in (a) and (b) above shall be in consideration of the issuance to the respective transferors of such number of shares of Non-Participating Preferred stock of Transco having an aggregate liquidation preference equalling the fair value of the activities contributed, determined on an arms-length basis, the fairness of which from a financial point of view shall be evidenced by the opinion of an investment bank reasonably satisfactory to the Company, NAI and the Purchaser.

(d) Notwithstanding any other provision of this Agreement to the contrary, if, at any time, in the Purchaser's judgment, the continued ownership by the Company or its subsidiaries of an interest in Transco would cause the Company or any Company Affiliate to be engaged in a Restricted Activity by virtue of Transco's ownership of Identified Activities and/or PCI Activities, and the

Purchaser determines in good faith that it would be detrimental to the Purchaser's best interests either to initiate efforts or to continue pursuing existing efforts to confirm the propriety under the MFJ of the ownership by the Company or its subsidiaries of shares of Non-Participating Preferred Stock in Transco or any other interest in Transco, the Company shall take any and all action necessary to cause the Company (and all of its subsidiaries) to dispose of all interests in Transco owned by the Company (or any of its subsidiaries), and/or take such other action as, in the Purchaser's judgment, is necessary so that neither the Company nor any Company Affiliate will be engaged in a Restricted Activity (such obligation to divest and take other action being collectively referred to as the "Divestment Action"). The Divestment Action shall be taken as promptly as practicable, but in no event later than thirty (30) Business Days after the Purchaser notifies the Company in writing of such determination.

(e) In the event the Purchaser determines, in its judgment, that the direct ownership by the Company (or any of its subsidiaries) of all or any portion of the Identified Activities or the PCI Activities would not result in the Purchaser's being in violation of the MFJ, the Company will, upon written notice from the Purchaser, acquire (or cause a wholly-owned subsidiary to acquire), for fair value determined on an arm's-length basis, the fairness of which from a financial point of view shall be evidenced by the opinion of an investment bank reasonably satisfactory to the Company, NAI and the Purchaser, (i) all of the capital stock of Transco not then owned by the Company and its subsidiaries, or (ii) specific Identified Activities or PCI Activities identified in writing by the Purchaser, as determined by the Purchaser; provided that the Company shall be entitled to defer, for a reasonable period of time, any such acquisition if the Company determines in good faith, and so notifies the Purchaser in writing, that consummating such acquisition at such time would be detrimental to the Company's best interests.

(f) If the Company fails or is unable to implement the Divestment Action within the period set forth in (d) above, then the Purchaser, at its option, by written notice to the Company, shall have the right to elect to do one or more of the following: (i) exercise the Put Right with respect to all or part of the Subject Stock at the Divestment Price (as defined below); (ii) require the Company to promptly register all or part of the Subject Stock in a Registered Offering; and/or (iii) sell all or part of the Subject Stock privately in a Private Sale. If the Purchaser is entitled to receive the Divestment Price under this paragraph 25(f) and elects to dispose of the Preferred Stock or any portion thereof either in a Registered Offering or a Private Sale, the Company agrees to pay to the Purchaser the amount, if any, by which the gross proceeds to the Purchaser, after



deducting underwriting commissions and discounts or agency fees, realized in such disposition is less than the aggregate Divestment Price that would have been payable to the Purchaser by the Company had the Purchaser elected to require the Company to purchase such Preferred Stock under this paragraph 25(f); provided, however, that the Company

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shall not be obligated to make any such payment in any instance in which the Purchaser rejects the Company's written request, if such a request is made by the Company by written notice to the Purchaser within 5 Business Days of receipt by the Company of the Purchaser's notice pursuant to this paragraph 25(f) (and which the Company shall be entitled to make in its discretion), to purchase such Preferred Stock from the Purchaser at the Divestment Price, which right the Purchaser shall have in its discretion. The Purchaser's rights under this paragraph 25 shall be enforceable by any Affiliate to which it has transferred Subject Stock. For purposes of this paragraph 25, the "Divestment Price" shall mean (A) with respect to Preferred

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Stock, the Aggregate Liquidation Preference plus accrued and

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unpaid dividends through the date of such purchase (whether or not earned or declared), plus an amount equal to a 7%

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annual compounded rate of return on the Aggregate Liquidation Preference from the date of Closing to the date of purchase by the Company, and (B) with respect to Class B Common Stock, the price per share equal to 100% of the Trading Price for the 20 trading days immediately prior to the date of purchase by the Company.

(g) Notwithstanding any other provision of this Agreement, the remedy provided in (f) above is in addition to any and all other remedies that may be available to the Purchaser, at law or in equity, including, without limitation, the right to seek damages, unless it is determined by the arbitration provided for in paragraph 15 that the Company and its Affiliates shall have acted reasonably in failing to implement the Divestment Action as set forth in (d) above, in which event such remedy in (f) above shall be the exclusive remedy available to the Purchaser. In the event that the Purchaser is entitled to seek damages as provided above in this paragraph 25(g), such damages shall be offset by an amount equal to the 7% annual compounded rate of return on the Aggregate Liquidation Preference included in the Divestment Price if (but only if) the Divestment Price both was determined by reference to Preferred Stock and already has been paid to the Purchaser."

(h) ANNEX II of the Agreement is amended by deleting the second sentence of the first paragraph, which currently reads "In addition, at any time that the Purchaser shall have the right to require the Company to purchase shares of Preferred Stock and Class B Common Stock pursuant to paragraph 24(g) of the Agreement, the Purchaser shall have the right to make a request to register under the 1933 Act any or all of such shares of Preferred Stock and Class B

Common Stock (the "Paragraph 24(g) Stock)", and by  
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replacing it with the following:

"In addition, at any time that the Purchaser shall have the right to require the Company to purchase shares of Preferred Stock and Class B Common Stock pursuant to paragraph 24(g) and/or paragraph 25(f) of the Agreement, the Purchaser shall have the right to make a request to register under the 1933 Act any or all of such shares of Preferred Stock and Class B Common Stock (in the case of either paragraph 24(g) or paragraph 25(f), the "Paragraph 24(g) Stock)".  
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(i) Paragraph 25 is deleted in its entirety and is hereby replaced with the following new paragraph 26:

"The Company agrees that, for so long as the Purchaser and its Affiliates Beneficially Own all of the outstanding Preferred Stock, the Company shall not amend, alter or repeal any of the provisions of the Certificate of Designation without the consent of the Purchaser."

(j) The Agreement is amended to change current paragraph number "26" to "27".

(k) The Agreement is hereby amended to add thereto as "Annex III" the attached forms of the certificate of incorporation, by-laws and certificate of designation of Transco.

2. This Amendment Agreement may be executed in multiple counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute and be one and the same instrument.

3. This amendment to the Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state.

Very truly yours,

VIACOM INC.

By: \_\_\_\_\_

Accepted and agreed on  
the date written above:

NYNEX CORPORATION

By: \_\_\_\_\_

October 21, 1993

Blockbuster Entertainment Corporation  
One Blockbuster Plaza  
Fort Lauderdale, Florida 33301-1860

Dear Sirs:

Viacom Inc., a Delaware corporation (the "Company"), and Blockbuster Entertainment Corporation, a Delaware corporation (the "Purchaser"), are parties to a letter agreement dated September 29, 1993. The Company and the Purchaser hereby amend and restate such letter agreement in its entirety as follows:

1. Subject to the terms and conditions set forth herein, the Purchaser hereby subscribes for, and agrees to purchase, and the Company agrees to issue and sell, 24,000,000 shares of a new series of convertible preferred stock of the Company designated Series A Convertible Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), for an aggregate purchase price of \$600,000,000, representing a purchase price of \$25.00 per share. The terms of the Preferred Stock are set forth in the form of Certificate of Designation attached as Annex I hereto (the "Certificate of Designation"), which terms are subject to amendment in accordance with the provisions hereof.

2. (a) The closing (the "Closing") of the purchase provided for in paragraph 1 shall take place at a date mutually agreed by the parties (but in any event no later than October 22, 1993) upon satisfaction of the conditions specified in paragraph 5 at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York. The date and time of the Closing are referred to herein as the "Closing Date".

(b) At the Closing, the Purchaser shall deliver to the Company \$600,000,000 in cash by wire transfer in immediately available funds to an account of the Company designated by the Company, by notice to the Purchaser prior to the Closing Date, and the Company shall deliver to the Purchaser a certificate representing the shares of Preferred Stock, registered in the name of the Purchaser.

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3. (a) The Purchaser represents and warrants to the Company that: (i) the execution and delivery of this Agreement by the Purchaser and the performance of its obligations hereunder have been duly and validly authorized by all necessary corporate action on the part of the Purchaser; (ii) this Agreement has been duly and validly executed and delivered by the Purchaser and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law); (iii) the execution, delivery and performance of this Agreement by the Purchaser and the purchase of Preferred Stock by the Purchaser do not conflict with or violate or 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 the Certificate of Incorporation or By-Laws or equivalent organizational documents of the Purchaser; (iv) the execution, delivery and performance of this Agreement by the Purchaser do not, and the consummation of the transactions contemplated hereby by the Purchaser will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental authority with respect to the Purchaser, except under the 1934 Act; (v) the Purchaser is acquiring the Preferred Stock and the Common Stock of the Company issuable upon conversion of the Preferred Stock for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof; and (vi) the Purchaser is an "accredited investor" within the meaning of Rule 501 under the 1933 Act.

(b) Except as set forth in this paragraph 3, the Purchaser makes no other representation, express or implied, to the Company.

4. (a) The Company represents and warrants to the Purchaser that (i) each of the Company and each 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 Material Adverse Effect (as defined below); (ii) the execution and delivery of this Agreement by the Company and the issuance of the Preferred Stock in accordance with the terms of this Agreement and the Certificate of Designation have been duly and validly authorized by all necessary corporate action on the part of the Company; (iii) this Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law); (iv) the execution, delivery and performance of this Agreement by the Company do not, and the issuance of the Preferred Stock and the performance of the Company's obligations in accordance with the terms of this Agreement and the Certificate of Designation will not, conflict with or violate or 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 (A) the Certificate of Incorporation or By-Laws or equivalent organizational documents of the Company or any Subsidiary, (B) any law, rule, regulation, order, judgment or decree applicable to the Company or any Subsidiary, or (C) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any property or asset of the Company or any Subsidiary is bound or affected, except in the case of subclauses (B) and (C) above, for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay the issuance of the Preferred Stock in accordance with the terms of this Agreement and the Certificate of Designation in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement and the Certificate of Designation in any material respect, and would not, individually or in the aggregate, have a Material Adverse Effect; (v) the execution, delivery and performance of this Agreement by the Company do not, and the performance of this Agreement by the Company will not, require any consent, approval, authorization or permit of, or filing with or notification to, any

governmental authority with respect to the Company, except for the filing with the Secretary of State of the State of Delaware of the Certificate of Designation, filings after the Closing of the Certificate of Designation with appropriate authorities in states in which the Company is qualified as a foreign corporation, any filings required to effect the registration pursuant to paragraph 8 and any filings pursuant to federal and state securities laws which will be timely made after the Closing hereunder; (vi) the Preferred Stock to be issued hereunder has been duly authorized and, upon issuance at the Closing, will be validly issued, fully paid and nonassessable, and free and clear of all security interests, liens, claims, encumbrances, pledges, options and charges of any nature whatsoever, and the issuance of such Preferred Stock will not be subject to preemptive rights of any other stockholder of the Company; (vii) prior to the Closing, the Certificate of Designation will have been filed with the Secretary of State of the State of Delaware in accordance with the Delaware General Corporation Law; (viii) the shares of Class B Common Stock, par value \$0.01 per share ("Class B Common Stock"), of the Company issuable upon conversion of the Preferred Stock have been duly authorized and reserved for issuance upon such conversion and, upon issuance of such shares in accordance with the Certificate of Designation, will be validly issued, fully paid and nonassessable; (ix) the authorized capital stock of the Company consists of 100,000,000 shares of the Company's Class A Common Stock, 150,000,000 shares of Class B Common Stock and 100,000,000 shares of Preferred Stock, par value \$0.01 per share ("Company Preferred Stock"); (x) as of August 31, 1993, (A) 53,431,699 shares of the Company's Class A Common Stock and 67,282,799 shares of Class B Common Stock were issued and outstanding, all of which were validly issued, fully paid and nonassessable, (B) no shares were held in the treasury of the Company, (C) no shares were held by the Subsidiaries, and (D) 3,843,000 shares were reserved for future issuance pursuant to employee stock options or stock incentive rights granted pursuant to the Company's 1989 Long-Term Management Incentive Plan and the Company's Stock Option Plan for Outside Directors; (xi) as of the date hereof, no shares of Company Preferred Stock are issued and outstanding and there are no agreements, arrangements or understandings with respect to the issuance of any Company Preferred Stock other than the Stock Purchase Agreement dated October 4, 1993 between the Company and NYNEX Corporation; (xii) the Company has filed all forms, reports and documents required to be filed by it with the Securities and Exchange Commission ("Commission") since December 31, 1990, and has heretofore made available to the Purchaser, in the form filed with the Commission (excluding any exhibits thereto), (A) its

Annual Reports on Form 10-K for the fiscal years ended December 31, 1990, 1991 and 1992, respectively, (B) its Quarterly Reports on Form 10-Q for the periods ended March 31, 1993 and June 30, 1993, (C) all proxy statements relating to the Company's meetings of stockholders (whether annual or special) held since January 1, 1991 and (D) all other forms, reports and other registration statements (other than Quarterly Reports on Form 10-Q not referred to in clause (B) above and preliminary materials) filed by the Company with the Commission since December 31, 1990 (the forms, reports and other documents referred to in clauses (A), (B), (C), and (D) above being referred to herein, collectively, as the "SEC Reports"); (xiii) the SEC Reports and any other forms, reports and other documents filed by the Company with the Commission after the date of this Agreement (A) were or will be prepared in accordance with the requirements of the 1933 Act and the 1934 Act, as the case may be, and the rules and regulations thereunder and (B) 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; (xiv) the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Reports were 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 the Company and its consolidated 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); (xv) since December 31, 1992 there has not been any change, occurrence or circumstance in the business, results of operations or financial condition of the Company or any Subsidiary having, individually or in the aggregate, a Material Adverse Effect, other than changes, occurrences and circumstances referred to in any subsequently filed SEC Reports; (xvi) there is no claim, action, proceeding or investigation pending or, to the best knowledge of the Company, threatened by any public official or governmental authority, against the Company or any Subsidiary, or any of their respective property or assets before any court, arbitrator or administrative, governmental or regulatory authority or body, which challenges the validity of this Agreement, the Certificate of Designation or the Preferred Stock or any action taken or to be taken

pursuant hereto or, except as set forth in the SEC Reports, which is reasonably likely to have a Material Adverse Effect; and (xvii) neither the Company nor any Subsidiary is in conflict with, or in default or violation of, (A) any law, rule, regulation, order, judgment or decree applicable to the Company or any Subsidiary or by which any property or asset of the Company or any Subsidiary is bound or affected, or (B) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any property or asset of the Company or any Subsidiary is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Except as set forth in this paragraph 4 and in paragraph 9(e), the Company makes no representation, express or implied, to the Purchaser.

(c) "Subsidiary" means a "significant subsidiary" of the Company, as such term is defined in Regulation S-X promulgated under the 1933 Act.

(d) The term "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 the Company and its Subsidiaries, taken as a whole.

(e) Notwithstanding anything to the contrary in this paragraph 4, any change to or effect on the business, results of operations or financial condition of the Company and its Subsidiaries that results, directly or indirectly, from (a) regulations adopted by the Federal Communications Commission, whether before or after the date hereof, governing financial interest in and syndication of broadcast programming or implementing the Cable Television Consumer Protection and Competition Act of 1992 or (b) the subject matter contemplated by the Company's Current Report on Form 8-K, dated September 13, 1993 (the "Paramount Transaction"), shall not be considered for purposes of determining whether a breach has occurred of any representation or warranty, covenant or agreement of the Company contained herein.

5. (a) The obligation of the Purchaser to consummate the Closing is subject to the satisfaction (or waiver by the Purchaser, at its sole discretion) of the following conditions:



(i) (A) the Company shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date, (B) the representations and warranties of the Company contained in this Agreement shall be true in all material respects (other than those contained in Paragraph 4(a)(xv), which shall be true in all respects) as of the Closing Date, as if made at and as of such date (except for any such representations and warranties that are expressly stated to be as of a different date) and (C) the Purchaser shall have received a certificate signed by an executive officer of the Company to the foregoing effect;

(ii) no judgment, injunction, order or decree shall materially restrict, prevent or prohibit the consummation of the Closing; and

(iii) the Purchaser shall have received an opinion of Shearman & Sterling, dated the Closing Date, substantially in the form of Exhibit A hereto.

(b) The obligation of the Company to consummate the Closing is subject to the satisfaction (or waiver by the Company, at its sole discretion) of the following conditions:

(i) (A) the Purchaser shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date, (B) the representations and warranties of the Purchaser contained in this Agreement shall be true in all material respects at and as of the Closing Date, as if made at and as of such date (except for any such representations and warranties that are expressly stated to be as of a different date) and (C) the Company shall have received a certificate signed by an executive officer of the Purchaser to the foregoing effect;

(ii) no judgment, injunction, order or decree shall materially restrict, prevent or prohibit the consummation of the Closing;

(iii) the Company shall have received an opinion of Thomas W. Hawkins, General Counsel of the Purchaser, dated the Closing Date, substantially in the form of Exhibit B hereto; and

(iv) the Company shall have received an opinion of Skadden, Arps, Slate, Meagher & Flom, dated the Closing Date, substantially in the form of Exhibit C hereto.

6. Effective as of the Closing and for so long as the Purchaser and its Affiliates Beneficially Own at least 12,000,000 shares of Preferred Stock or the equivalent in number of shares of Preferred Stock and shares of Class B Common Stock issuable upon conversion of the Preferred Stock, the Purchaser shall be entitled to one representative on the Board of Directors of the Company, who shall serve in such capacity in accordance with the Restated Certificate of Incorporation and the By-Laws of the Company. Such representative shall initially be H. Wayne Huizenga, who shall become a member of the Company's Board of Directors simultaneously with the Closing, and the Purchaser shall receive satisfactory evidence of this action.

7. (a) The Purchaser acknowledges that the shares of Preferred Stock and Class B Common Stock into which such Preferred Stock is convertible have not been registered under the 1933 Act or any state securities law, and hereby agrees not to offer, sell or otherwise transfer, pledge or hypothecate such shares unless and until registered under the 1933 Act and any applicable state securities law or unless, in the opinion of counsel reasonably satisfactory to the Company, such offer, sale, transfer, pledge or hypothecation is exempt from registration or is otherwise in compliance with the 1933 Act and such laws.

(b) Upon issuance of the Preferred Stock, and until such time as the same is no longer required under the applicable requirements of the 1933 Act, the certificates evidencing the Preferred Stock (and all securities issued in exchange therefor or substitution thereof) shall bear the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION OR IS OTHERWISE IN COMPLIANCE WITH THE ACT AND SUCH LAWS.

8. Effective at the Closing, the Purchaser shall have the registration rights, and the Company shall have the obligations, set forth in Annex II.

9. (a) During the Put/Call Period (as defined below), the Company, at its option, shall have the right to purchase from the Purchaser and the Purchaser, at its option, shall have the right to sell to the Company, in each case at the Put/Call Price (as defined below), 12,000,000 shares of the Preferred Stock.

(b) The Company or the Purchaser may each exercise the right granted to it in paragraph 9(a) by written notice to the other party at any time during the Put/Call Period and in the event such a notice is so delivered, the repurchase of the 12,000,000 shares of Preferred Stock by the Company (the "Put/Call Closing") shall occur at 10:00 a.m. at the place specified in paragraph 2 hereof on the twentieth Business Day following the date such written notice is delivered.

(c) At the Put/Call Closing, the Company shall deliver to the Purchaser the Put/Call Price in cash by wire transfer in immediately available funds to an account of the Purchaser designated by the Purchaser by notice to the Company at least two Business Days prior to the date of the Put/Call Closing, and the Purchaser shall deliver to the Company a certificate representing the 12,000,000 shares of Preferred Stock, duly endorsed to the Company or accompanied by a stock power duly executed to the Company, in proper form for transfer, which shares shall be transferred by the Purchaser to the Company free and clear of any encumbrances or adverse claims.

(d) For the purposes of this paragraph 9, the following terms shall have the following meanings:

(i) "Put/Call Period" shall mean the period of 120 days following the earlier of (A) August 31, 1994, if, and only if, the Company or any of its Affiliates has not acquired Beneficial Ownership of a majority of the outstanding voting capital stock of Paramount Communications Inc. ("PCI") prior to August 31, 1994 or (B) the date on which any party other than the Company or any of its Affiliates acquires Beneficial Ownership of a majority of the voting capital stock of PCI; and

(ii) "Put/Call Price" shall mean \$300,000,000, representing the aggregate liquidation preference of the 12,000,000 shares of Preferred Stock, plus the aggregate amount of accrued and unpaid dividends on such shares of Preferred Stock to the date of the Put/Call Closing (whether or not earned or declared).

(e) The Company agrees not to enter into any contract, agreement, arrangement or understanding, nor to take or omit to take any action, that would restrict or impair the performance of its obligations under this paragraph 9, and the Company represents and warrants that it is not a party to nor bound by any such contract, agreement, arrangement or understanding on the date hereof.

(f) With respect to any put rights granted by the Company to any other investors (each, an "Investor") with respect to the Company's capital stock similar to the put right granted to the Purchaser pursuant to paragraph 9(a), the Company shall notify the Purchaser in writing within two Business Days after receipt of written notice of the exercise of such put right by each such Investor, and in the event the Purchaser also exercises the put right granted pursuant to paragraph 9(a) in accordance with this paragraph 9 within two Business Days of its receipt of such notice (but not later than the expiration of the Put/Call Period), the Company shall use its reasonable best efforts to cause the Put/Call Closing to be held on the same day as the closing under the put right of the other Investor or Investors.

10. In the event that, until the earlier of (a) the date of the expiration of the Put/Call Period or (b) the consummation of the acquisition by the Company or any of its Affiliates of Beneficial Ownership of a majority of the outstanding voting capital stock of PCI, the Company issues new shares of preferred stock (other than through an offering intended to result in a distribution thereof to more than 35 non-accredited investors, which shall be on market terms) the terms of the Preferred Stock and the terms of Annex II shall be amended in order to be at least as favorable to the holders of such Stock as those of such new shares.

11. (a) In the event of a Change of Control (as defined below) of the Company, the Purchaser, at its option, shall have the right to sell to the Company or its assignee, at the Designated Price (as defined below), all shares of the Preferred Stock then held by the Purchaser and its Affiliates.

(b) The Purchaser may exercise the right granted to it in paragraph 11(a) by written notice to the Company at any time during the 30 day period following public announcement of such Change of Control and in the event such a notice is so delivered, the repurchase of such shares of Preferred Stock by the Company (the "Paragraph 11 Closing") shall occur at 10:00 a.m. at the place specified in paragraph 2 hereof on the twentieth Business Day following the date such written notice is delivered.

(c) At the Paragraph 11 Closing, the Company or its assignee shall deliver to the Purchaser the Designated Price in cash by wire transfer in immediately available funds to an account of the Purchaser designated by the Purchaser by notice to the Company at least two Business Days prior to the date of the Paragraph 11 Closing, and the Purchaser shall deliver to the Company a certificate representing the shares of Preferred Stock referred to in paragraph 11(a), duly endorsed to the Company or accompanied by a stock power duly executed to the Company, in proper form for transfer, which shares shall be transferred by the Purchaser to the Company free and clear of any encumbrances or adverse claims.

(d) For the purposes of this paragraph 11, the following terms shall have the following meanings:

(i) A "Change of Control" of the Company shall occur if a Person Beneficially Owns more voting capital stock, on a fully diluted basis, of the Company than National Amusements, Inc., Sumner M. Redstone, any trust established by Mr. Redstone or of which he is the settlor, beneficiary or trustee and any heir, executor, administrator, or personal representative of Mr. Redstone or his estate, and any person or entity in any similar capacity, or any Affiliate of any of the foregoing (collectively, the "Group"), or the Group Beneficially Owns 30% or less of the voting capital stock, on a fully diluted basis, of the Company.

(ii) "Designated Price" shall mean the sum of (A) 110% multiplied by the aggregate liquidation preference of the shares of Preferred Stock referred to in paragraph 11(a), plus (B) the aggregate amount of accrued and unpaid dividends on such shares of Preferred Stock to the date of the Paragraph 11 Closing.

12. The Company and the Purchaser agree that after the Closing they shall in good faith discuss and explore forming a joint venture to exploit potential opportunities and synergies among their existing businesses and to pursue additional entertainment and technology opportunities employing the assets of each. The parties intend that any such joint venture will be formed within two years.

13. (a) The representations and warranties contained in this Agreement shall survive the Closing until the first anniversary of the Closing Date.

(b) The Purchaser and its Affiliates, officers, directors, employees, agents, successors and assigns shall be

indemnified and held harmless by the Company for any and all liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including, without limitation, reasonable attorneys' fees and expenses) (a "Loss") actually suffered or incurred by them, arising out of or resulting from the breach of any representation or warranty or covenant of the Company contained in this Agreement.

(c) The Company and its Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by the Purchaser for any and all Losses actually suffered or incurred by them, arising out of or resulting from the breach of any representation or warranty or covenant of the Purchaser contained in this Agreement.

14. (a) The Purchaser agrees that neither the Purchaser nor any of its Affiliates shall participate in any transaction that, directly or indirectly, would have the effect of precluding or competing with the Paramount Transaction.

(b) The Company agrees that in the event the Company intends to engage in additional equity financing in connection with the Paramount Transaction (other than equity to be issued to stockholders of PCI as consideration in such transaction), the Company shall consult with the Purchaser.

(c) The Company agrees that prior to consummation of the Paramount Transaction, the Company shall receive an opinion from Smith Barney Shearson Inc. that the consideration actually to be paid by the Company in such transaction is fair, from a financial point of view, to the stockholders of the Company.

15. The Purchaser, on the one hand, and the Company, on the other, acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to equitable relief (including injunction and specific performance) in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, as a remedy for any such breach or to prevent any breach of this Agreement. Such remedies shall not be deemed to be the exclusive remedies for a breach or anticipatory breach of this Agreement, but shall be in addition to all other remedies available at law or equity to the parties hereto. To the

extent permitted by applicable law, the parties hereto irrevocably submit to the exclusive jurisdiction of the courts of the State of New York and the United States of America located in the State of New York for any suits, actions or proceedings arising out of or relating to this Agreement.

16. This Agreement, its Annexes and Exhibits contain the entire understandings of the parties with respect to the subject matter hereof, thereby superseding all prior agreements of the parties relating to the subject matter hereof (other than the Confidentiality Agreement entered into between the Purchaser and Viacom International Inc. dated July 1, 1993), and may not be amended except by a writing signed by the parties. Except as otherwise provided herein, this Agreement is not assignable by any of the parties; provided that the Purchaser may assign its rights and obligations under this Agreement to a wholly owned subsidiary of the Purchaser, so long as the Purchaser shall remain liable for all financial and performance obligations of the Purchaser hereunder. This Agreement shall be binding upon, and inure to the benefit of, the respective successors of the parties. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

17. Any notices and other communications required to be given pursuant to this Agreement shall be in writing and shall be given by delivery by hand, by mail (registered or certified mail, postage prepaid, return receipt requested) or by facsimile transmission or telex, as follows:

If to the Company:

Viacom Inc.  
1515 Broadway  
New York, New York 10036  
Attention: Philippe P. Dauman  
Facsimile No.: 212-258-6134

With a copy to:

Shearman & Sterling  
599 Lexington Avenue  
New York, New York 10022  
Attention: Stephen R. Volk  
Facsimile No.: 212 848-7179

If to the Purchaser:

Blockbuster Entertainment Corporation  
One Blockbuster Plaza  
Fort Lauderdale, Florida 33301-1860  
Attention: Thomas W. Hawkins  
Facsimile No.: 305-852-3939

With a copy to:

Skadden, Arps, Slate, Meagher & Flom  
1440 New York Avenue, N.W.  
Washington, D.C. 20005  
Attention: Stephen Hamilton/Thomas Casey  
Facsimile No.: 202-393-5760

or to such other addresses as either the Company or the Purchaser shall designate to the other by notice in writing.

18. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" shall mean any Person that (i) directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified or (ii) is (A) the specified Person's spouse, parent, child, brother or sister or any issue of the foregoing (for purposes of the definition of Affiliate, issue shall include Persons legally adopted into the line of descent), (B) any corporation or organization of which the Person specified or such specified Person's spouse, parent, child, brother or sister or any issue of the foregoing is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent or more of any class of voting stock, and (C) any trust or other estate in which the specified Person or such specified Person's spouse, parent, child, brother or sister or any issue of the foregoing serves as trustee or in a similar fiduciary capacity and (D) the heirs or legatees of the specified Person by will or under the laws of descent and distribution.

(b) "Beneficially Own" with respect to any securities and "Beneficial Ownership" shall mean having beneficial ownership as determined pursuant to Rule 13d-3 under the 1934 Act including pursuant to any agreement, arrangement or understanding, whether or not in writing.

(c) "Business Day" has the meaning specified in the Certificate of Designation.



(d) "Person" shall mean any individual, partnership, joint venture, corporation, trust, incorporated organization, government or department or agency of a government, or any entity that would be deemed to be a "person" under Section 13(d)(3) of the 1934 Act.

(e) "1933 Act" means the Securities Act of 1933, as amended.

(f) "1934 Act" means the Securities Exchange Act of 1934, as amended.

19. Subject to the terms and conditions of this Agreement, each of the parties hereby agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, rules and regulations to consummate and make effective the transactions contemplated by this Agreement, including using its best efforts to obtain all necessary waivers, consents and approvals. In case at any time after the execution of this Agreement, further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each of the parties shall take all such necessary action.

20. (a) For so long as the Purchaser and its Affiliates shall Beneficially Own all of the outstanding Preferred Stock, the provisions of this paragraph 20 shall apply.

(b) In case the Company shall distribute (in one distribution or a series of related distributions) to all holders of its Class A and Class B Common Stock any Securities (as defined in Section 7(d)(iii) of the Certificate of Designation) with an aggregate fair market value (as determined by the Board of Directors of the Company, whose determination shall, if made in good faith, be conclusive) of more than \$300,000,000, then in each such case, unless the Company elects to reserve shares or other units of such Securities for distribution to the holders of the Preferred Stock as described in Section 7(d)(iii) of the Certificate of Designation, the following provisions shall apply, at the election of the Purchaser by written notice to the Company as provided in paragraph 20(f) below (the "Election Notice"):

(i) Securities shall be distributed to the Purchaser in the amount and kind which the Purchaser would have received if the Purchaser had, immediately

prior to the record date for the distribution of the Securities, converted its shares of Preferred Stock into Class B Common Stock;

(ii) The Purchaser shall be deemed to have consented by delivery of the Election Notice, without the need for further vote or action on the part of the Purchaser, to amend the Certificate of Designation, effective on the date of the distribution of the Securities, to change the terms of the Preferred Stock to reflect the terms of the Redesignated Preferred Stock (as defined below) as determined by the Redesignation Agent (as defined below) in accordance with the provisions of paragraph 20(c) below; and

(iii) Prior to the date of distribution of the Securities, the Company shall file with the Secretary of State of the State of Delaware the Certificate of Designation as amended as provided in clause (b)(ii) above.

(c) The terms of the Redesignated Preferred Stock shall be determined by the Redesignation Agent as follows:

(i) The Redesignation Agent shall determine the Trading Price (as defined below) for the twenty trading days immediately prior to the record date for the distribution of the Securities and the Trading Price for the twenty trading days immediately after the record date for the distribution of the Securities and shall determine the difference, stated as a dollar amount, in the per share Trading Price between such two periods (the "Dollar Trading Difference");

(ii) The Redesignation Agent shall then multiply the Dollar Trading Difference by the total number of shares of Class B Common Stock that the Preferred Stock would be convertible into immediately prior to the record date for the distribution of the Securities (the product of such multiplication, the "Aggregate Dollar Trading Difference"); and

(iii) The Redesignation Agent shall then adjust the dividend rate, redemption prices, liquidation preference and/or conversion price (without affecting the number of underlying shares of Class B Common Stock) of the Preferred Stock as specified in the Certificate of Designation, but no other terms of the Preferred Stock, as necessary so that the difference in the fair market value, in the aggregate, of the Preferred Stock prior to

the distribution of the Securities and after the distribution of Securities shall be as closely as possible equivalent to the Aggregate Dollar Trading Difference (the Preferred Stock with the terms so adjusted, the "Redesignated Preferred Stock").

(d) "Trading Price" for the Class B Common Stock for any given period shall be the average of the closing prices for the Class B Common Stock for the trading days included in such period on the American Stock Exchange or, if the American Stock Exchange is not the exchange on which the Class B Common Stock is principally traded, such exchange.

(e) (i) "Redesignation Agent" shall mean an investment banking firm of national standing chosen in the following manner: the Purchaser shall propose three such investment banking firms to the Company in writing within five Business Days of the delivery of the Election Notice by the Purchaser to the Company and within five Business Days of such firms being so proposed, the Company shall select by written notice to the Purchaser one such firm to serve as the Redesignation Agent.

(ii) All determinations of the Redesignation Agent shall, if made in good faith, be conclusive.

(iii) All fees of the Redesignation Agent shall be paid by the Company.

(f) If at any time the Board of Directors of the Company determines to make a distribution of Securities to which the provisions of this paragraph 20 would apply, the Company shall notify the Purchaser in writing as soon as practicable and, if the Purchaser decides to elect to have the provisions of this paragraph 20 apply to such distribution, the Purchaser shall so notify the Company within 15 Business Days of such notice from the Company. The record date for any such distribution of Securities shall not be before the earlier of 15 Business Days after the Purchaser gives such notice to the Company and the expiration of the 15 Business Day period for the giving of such notice.

(g) If the Purchaser elects to have the provisions of this paragraph 20 apply in the case of a distribution of Securities, (i) the Purchaser shall thereby waive compliance with the provisions of Section 7 of the Certificate of Designation that would otherwise apply in such case; (ii) the put/call provisions of paragraph 9 of this Agreement shall apply to the Redesignated Preferred Stock and the Put/Call Price shall be appropriately adjusted; and (iii) the

Purchaser agrees that it shall not trade in the Class B Common Stock during either of the Trading Periods referred to in paragraph 20(c)(i) above.

21. The Company agrees that, for so long as the Purchaser holds Preferred Stock, the term "ratably", as used in the Company's Restated Certificate of Incorporation with respect to the rights of holders of the Company's common stock to receive dividends and distributions of assets upon liquidation, will be interpreted to mean treating Class A Common Stock and Class B Common Stock as a single class.

22. The Company agrees that, for so long as the Purchaser and its Affiliates Beneficially Own all of the outstanding Preferred Stock, upon the conversion of any shares of Preferred Stock the Purchaser shall be entitled to receive an amount equal to dividends accrued during the Dividend Period in which such conversion occurs and up to the date of the conversion, less any amounts previously paid with respect to any portion of such Dividend Period. Such amounts shall be paid promptly after such conversion.

23. The parties agree to consult with each other before taking any action that would require the issuance of, or issuing, any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any securities exchange, will not take any such action, issue any such press release or make any such public statement prior to such consultation.

24. The Company agrees that, for so long as the Purchaser and its Affiliates Beneficially Own all of the outstanding Preferred Stock, the Company shall not amend, alter or repeal any of the provisions of the Certificate of Designation without the consent of the Purchaser.

25. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state.

Very truly yours,

VIACOM INC.

By /s/ Philippe P. Dauman

-----  
Philippe P. Dauman  
Senior Vice President,  
General Counsel and  
Secretary

Accepted and agreed on  
the date written above:

BLOCKBUSTER ENTERTAINMENT CORPORATION

By /s/ Steven R. Berrard

-----  
Steven R. Berrard  
Vice Chairman, President  
and Chief Operating  
Officer

ANNEX I

CERTIFICATE OF THE DESIGNATIONS, POWERS, PREFERENCES  
AND RELATIVE, PARTICIPATING OR OTHER RIGHTS, AND THE  
QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS THEREOF, OF

SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(\$0.01 Par Value)

OF

VIACOM INC.

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Pursuant to Section 151 of the General Corporation Law  
of the State of Delaware

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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 100,000,000 shares of preferred stock, at a meeting of  
the Board of Directors duly held on October 21, 1993:

RESOLVED, that the issue of a series of preferred  
stock, \$0.01 par value, 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. 24,000,000 shares of the preferred stock, \$0.01 par value, of the Corporation are hereby constituted as a series of the preferred stock designated as Series A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock"). The number of shares of Series A Preferred Stock may not be increased and may not be decreased below the number of then currently outstanding shares of Series A Preferred Stock.

(2) Definitions. For purposes of the Series A 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 A 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 Stock" shall mean the Class A Common Stock of the Corporation, par value \$0.01 per share.

"Common Stock" shall mean the Class B Common Stock of the Corporation, par value \$0.01 per share.

"Conversion Price" shall mean the conversion price per share of Common Stock for which the Series A Preferred Stock is convertible, as such Conversion Price may be adjusted pursuant to Section (7). The initial Conversion Price will be \$70.00 (equivalent to the rate of .3571 of a share of Common Stock for each share of Series A Preferred Stock).

"Current Market Price" shall mean, as of a particular date, the closing sale price at which Common Stock shall have been sold regular way on 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.

"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 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 December 31, 1993).

"Issue Date" shall mean the first date on which shares of Series A Preferred Stock are issued.

"Person" shall mean any individual, firm, partnership, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Securities" shall have the meaning set forth in paragraph (d)(iii) of Section (7) hereof.

"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.

"Transaction" shall have the meaning set forth in paragraph (e) of Section (7) hereof.

"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 A Preferred Stock.

(3) Dividends. (a) The holders of shares of the Series A Preferred Stock shall be entitled to receive, when and if declared by the Board of Directors out of funds legally available therefor, cash dividends at the rate per annum of \$1.25 per share of Series A Preferred Stock. Such dividends shall be cumulative from the Issue Date, 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 and as declared by the Board of Directors, on the first Business Day of January, April, July and October of each year, commencing on January 1, 1994 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 A 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 A 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 A Preferred Stock, or any other period shorter or longer than a full Dividend Period on the Series A Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Except as provided in Section 5(a), holders of shares of Series A 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 A 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 A Preferred Stock.

(c) So long as any shares of the Series A 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 class or series of stock of the Corporation ranking, as to dividends, on a parity with the Series A Preferred Stock, for any period, nor shall any shares ranking on a parity with the Series A Preferred 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 A 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 A Preferred Stock and any other class or series of stock ranking on a parity as to dividends with the Series A Preferred Stock, all dividends declared upon shares of the Series A Preferred Stock and all dividends declared upon such other stock shall be declared pro rata so that the amounts of dividends per share declared on the Series A Preferred Stock and such other stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of the Series A Preferred Stock and such other stock bear to each other.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of Common Stock, Class A Stock or other stock ranking junior to the Series A Preferred Stock, as to dividends and upon liquidation) shall be declared or paid or set apart for payment or other distribution declared or made upon the Common Stock, Class A Stock or any other stock of the Corporation ranking junior to the Series A Preferred Stock, as to dividends or upon liquidation nor shall any Common Stock, nor any Class A Stock nor any other such stock of the Corporation ranking junior to the Series A Preferred Stock, as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Series A Preferred Stock, as to dividends and upon liquidation) or any Subsidiary unless, in each case (i) the full cumulative dividends on all outstanding shares of the Series A Preferred Stock and any other stock of the Corporation ranking on a parity with the Series A Preferred Stock, as to dividends or upon liquidation shall have been paid or set apart for payment for all past Dividend Periods and dividend periods with respect to such other 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 A Preferred Stock and the dividend period with respect to any other stock of the Corporation ranking on a parity with the Series A Preferred Stock, as to dividends or upon liquidation.

(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 Common Stock, Class A Stock or any other series or class or classes of stock of the Corporation ranking junior to the Series A Preferred Stock, upon liquidation, dissolution or winding up, the holders of the shares of Series A Preferred Stock shall be entitled to receive \$25.00 per share 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 the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the

shares of Series A Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of stock ranking, as to liquidation, dissolution or winding up, on a parity with the Series A Preferred Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series A Preferred Stock and any such other stock ratably in accordance with the respective amounts which would be payable on such shares of Series A Preferred Stock and any such other 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.

(b) Subject to the rights of the holders of shares of any series or class or classes of stock ranking on a parity with or prior to Series A Preferred Stock, upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of Series A Preferred Stock, as provided in this Section (4), any other series or class or classes of stock ranking junior to Series A Preferred Stock, upon liquidation, dissolution or winding up 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 A Preferred Stock shall not be entitled to share therein.

(5) Redemption at the Option of the Corporation. (a) Series A Preferred Stock may not be redeemed by the Corporation prior to October 1, 1998, after which the Corporation, at its option, may redeem the shares of Series A Preferred Stock, in whole or in part, for an aggregate redemption price of at least \$100,000,000 (provided that no partial redemption shall reduce the Series A Preferred Stock outstanding below \$100,000,000 aggregate liquidation value) 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, during the 359-day period beginning on October 1, 1998 and during the twelve-month periods beginning on October 1 of the years beginning with 1998 shown 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:

Year.....	Price
1998.....	\$ 26.25
1999.....	\$ 26.00
2000 .....	\$ 25.75
2001 .....	\$ 25.50
2002 .....	\$ 25.25
2003 and thereafter.....	\$ 25.00

(b) In the event that full cumulative dividends on the Series A Preferred Stock and any other class or series of stock of the Corporation ranking, as to dividends, on a parity with the Series A Preferred Stock have not been paid or declared and set apart for payment, the Series A Preferred Stock may not be redeemed in part and the Corporation may not purchase or acquire shares of Series A 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 A Preferred Stock and such other stock.

(c) In the event the Corporation shall redeem shares of Series A 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 A 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; (5) the then current conversion price; and (6) 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 A 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) 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 A 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 A 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 A Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series A 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.

(6) Shares to be Retired. All shares of Series A Preferred Stock purchased or redeemed by the Corporation or converted 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) Conversion. Holders of shares of Series A Preferred Stock shall have the right to convert all or a portion of such shares into shares of Common Stock, as follows:

(a) Subject to and upon compliance with the provisions of this Section (7), a holder of shares of Series A Preferred Stock shall have the right, at his or her option, at any time to convert such shares into the number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing the aggregate liquidation preference of such shares by the Conversion Price and by surrender of such shares so to

be converted, such surrender to be made in the manner provided in paragraph (b) of this Section (7); provided, however, that the right to convert shares called for redemption pursuant to Section (5) shall terminate at the close of business on the date fixed for such redemption, unless the Corporation shall default in making payment of the amount payable upon such redemption. Any share of Series A Preferred Stock may be converted, at the request of its holder, in part into Common Stock. If a part of a share of Series A Preferred Stock is converted, then the Corporation will convert such share into the requested shares of Common Stock (subject to paragraph (c) of this Section (7)) and issue a fractional share of Series A Preferred Stock evidencing the remaining interest of such holder.

(b) In order to exercise the conversion right, the holder of each share of Series A Preferred Stock to be converted shall surrender the certificate representing such share, duly endorsed or assigned to the Corporation or in blank, at the office of the Transfer Agent in the Borough of Manhattan, City of New York, accompanied by written notice to the Corporation that the holder thereof elects to convert Series A Preferred Stock or a specified portion thereof. Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of Series A Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or such holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid).

Holders of shares of Series A Preferred Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares (except that holders of shares called for redemption on a redemption date between such record date and the dividend payment date shall not be entitled to receive such dividend on such dividend payment date) on the corresponding dividend payment date notwithstanding the conversion thereof following such dividend payment record date and prior to such dividend payment date. However, shares of Series A Preferred Stock surrendered for conversion during the period between the close of business on any dividend record date and the opening of business on the corresponding dividend payment date (except shares called for redemption on a redemption date during such period) must be accompanied by payment of an amount equal to the dividend payable on such shares on such dividend payment date. A holder of shares of Series A

Preferred Stock on a dividend record date who (or whose transferee) tenders any such shares for conversion into shares of Common Stock on such dividend payment date will receive the dividend payable by the Corporation on such shares of Series A Preferred Stock on such date, and the converting holder need not include payment of the amount of such dividend upon surrender of shares of Series A Preferred Stock for conversion. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon such conversion.

As promptly as practicable after the surrender of certificates for shares of Series A Preferred Stock as aforesaid, the Corporation shall issue and shall deliver at such office to such holder, or on his or her written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this Section (7), and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in paragraph (c) of this Section (7).

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Series A Preferred Stock shall have been surrendered and such notice received by the Corporation as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such shares shall have been surrendered and such notice received by the Corporation. All shares of Common Stock delivered upon conversions of the Series A Preferred Stock will upon delivery be duly and validly issued and fully paid and nonassessable.

(c) No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of the Series A Preferred Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be

deliverable upon the conversion of a share of Series A Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) based upon the Current Market Price of Common Stock on the Trading Day immediately preceding the date of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series A Preferred Stock so surrendered.

(d) The Conversion Price shall be adjusted from time to time as follows:

(i) In case the Corporation shall after the Issue Date (A) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (B) subdivide its outstanding Common Stock into a greater number of shares, (C) combine its outstanding Common Stock into a smaller number of shares or (D) issue any shares of capital stock by reclassification of its Common Stock, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of any share of Series A Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation which such holder would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event or the record date therefor, whichever is earlier. An adjustment made pursuant to this subparagraph (i) shall become effective immediately after the close of business on the record date in the case of a dividend or distribution (except as provided in paragraph (h) below) and shall become effective immediately after the close of business on the record date in the case of a subdivision, combination or reclassification.

(ii) In case the Corporation shall issue after the Issue Date (a) rights or warrants to all holders of Class A Stock or Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Class A Stock or Common Stock at a price per share less than the Conversion Price at the record date for the determination of shareholders entitled to receive such rights or warrants or (b) shares of Class A Stock or Common Stock or securities exercisable for (including rights or warrants other than those referred to in (a) above and



subparagraph (iii) below) or exchangeable or convertible into shares of Class A Stock or Common Stock at a price per share (or having an exercise, exchange or conversion price per share) less than the then current Conversion Price (other than securities issued in a transaction in which a pro rata share of such securities have been reserved by the Corporation for distribution to the holders of Series A Preferred Stock upon conversion), then in each such case the Conversion Price in effect immediately prior thereto shall be adjusted to equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the date of issuance of such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock) by (II) a fraction, the numerator of which shall be the sum of (A) the number of shares of Class A Stock or Common Stock outstanding on the date of issuance of such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock) (without giving effect to any such issuance) and (B), in the case of (a) above, the number of shares which the aggregate proceeds from the exercise of such rights or warrants for Class A Stock and Common Stock or, in the case of (b) above, the number of shares which the aggregate consideration receivable by the Corporation for the total number of shares of Class A Stock and Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock) so issued would purchase at the Conversion Price in effect immediately prior to the date of issuance, and the denominator of which shall be the sum of (A) the number of shares of Class A Stock and Common Stock outstanding on the date of issuance of such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into Class A Stock or Common Stock) (without giving effect to any such issuance) and (B), in the case of (a) above, the number of additional shares of Class A Stock or Common Stock offered for subscription or purchase or, in the case of (b) above, the number of shares of Class A Stock and Common Stock so issued or into which the exercisable, exchangeable or convertible securities may be exercised, exchanged or converted. Such adjustment shall be made successively whenever any such rights, warrants or shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into Class A Stock or Common Stock) are issued, and shall become effective immediately

after such record date or, in the case of the issuance of Class A Stock or Common Stock after the date of issuance thereof (or in the case of securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock, the date on which holders may first exercise, exchange or convert the same in accordance with the respective terms thereof). In determining whether any rights or warrants entitle the holders of Class A Stock or Common Stock to subscribe for or purchase shares of Class A Stock or Common Stock at less than the Conversion Price in effect immediately prior to the date of such issuance, and in determining the aggregate offering price of shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock), there shall be taken into account any net consideration received or receivable by the Corporation upon issuance and upon exercise of such rights or warrants or upon issuance of shares of Class A Stock or Common Stock (or securities exercisable for or exchangeable or convertible into shares of Class A Stock or Common Stock), the value of such consideration, if other than cash, to be determined by the Board of Directors or, if higher, the aggregate exercise, exchange or conversion price set forth in such exercisable, exchangeable or convertible securities.

(iii) In case the Corporation shall distribute to all holders of its Common Stock any shares of capital stock of the Corporation (other than Common Stock) or evidences of its indebtedness or assets (other than a regular cash dividend that the Board of Directors determines, in good faith, can be maintained by the Corporation for at least four consecutive periods covering not less than one year and that the Board of Directors intends to maintain for at least four consecutive periods covering not less than one year or a dividend that, together with all dividends paid in the prior twelve months, does not exceed one percent (1%) of the aggregate market value of the Series A Preferred Stock and the Common Stock on the date such dividend is declared, in each case, out of profits or surplus) or rights or warrants to subscribe for or purchase any of its securities (excluding those referred to in subparagraph (ii)(a) above) (any of the foregoing being hereinafter in this subparagraph (iii) called the "Securities"), then in each such case, unless the Corporation elects to reserve shares or other units of such Securities for distribution to the holders of the Series A Preferred Stock upon the conversion of the

shares of Series A Preferred Stock so that any such holder converting shares of Series A Preferred Stock will receive upon such conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount and kind of such Securities which such holder would have received if such holder had, immediately prior to the record date for the distribution of the Securities, converted his or her shares of Series A Preferred Stock into Common Stock (such election to be based upon a determination by the Board of Directors that such reservation will not materially adversely affect the interests of any holder of Series A Preferred Stock in any such reserved Securities), the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the date of such distribution by (II) a fraction, the numerator of which shall be the Current Market Price per share of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose determination shall, if made in good faith, be conclusive) of the portion of the capital stock or assets or evidences of indebtedness so distributed or of such rights or warrants applicable to one share of Common Stock, and the denominator of which shall be the Current Market Price per share of the Common Stock. Such adjustment shall become effective immediately, except as provided in paragraph (h) below, after the record date for the determination of stockholders entitled to receive such distribution.

(iv) Notwithstanding anything in subparagraphs (ii) and (iii) above, if such exercisable, exchangeable or convertible securities, rights or warrants shall by their terms provide for an increase or increases with the passage of time or otherwise in the price payable to the Corporation upon the exercise thereof, the Conversion Price upon any such increase becoming effective shall forthwith be readjusted (but to no greater extent than originally adjusted by reason of such issuance or sale) to reflect the same. Upon the expiration or termination of such rights or warrants, if any such rights or warrants shall not have been exercised, and upon the expiration or termination of the exercise, exchange or conversion rights under such exercisable, exchangeable or convertible securities, if any such exercisable, exchangeable or convertible securities shall not have been exercised, exchanged or converted, then the Conversion Price thereof shall forthwith be readjusted and thereafter be the rate which it would have been had

an adjustment been made on the basis that (x) the only rights or warrants so issued or sold were those so exercised and they were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such options, rights or warrants whether or not exercised and (y) the Corporation issued and sold a number of shares of Common Stock equal to those actually issued upon exercise of such exercise, exchange or conversion rights, and such shares were issued and sold for a consideration equal to the aggregate exercise, exchange or conversion price in effect under the exercise, exchange or conversion rights actually exercised at the respective dates of their exercise. An adjustment made pursuant to this subparagraph (iv) shall be made on the next Business Day following the date on which any such issuance is made and shall be effective immediately after the close of business on such date, but shall not affect the Conversion Price applicable to shares of Series A Preferred Stock converted prior to the date notice of such adjustment is given to the holders of Series A Preferred Stock. For purposes of subparagraphs (ii) and (iv), the aggregate consideration received by the Corporation in connection with the issuance of shares of Common Stock or of rights, warrants or securities exercisable for or exchangeable or convertible into shares of Common Stock shall be deemed to be equal to the sum of the aggregate net offering price of all such securities plus the minimum aggregate amount, if any, payable upon exercise of such rights or warrants and conversion of any such exercisable, exchangeable or convertible securities into shares of Common Stock.

(v) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subparagraph (v) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and provided further any adjustment shall be required and made in accordance with the provisions of this Section (7) (other than this subparagraph (v)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of shares of Common Stock. All calculations under this Section (7) shall be made to the nearest cent (with \$.005 being rounded upward) or to the nearest 1/100

of a share (with .005 of a share being rounded upward), as the case may be. Anything in this paragraph (d) to the contrary notwithstanding, the Corporation shall be entitled, to the extent permitted by law, to make such reductions in the Conversion Price, in addition to those required by this paragraph (d), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights or warrants to purchase stock or securities, or a distribution of other assets (other than cash dividends) hereafter made by the Corporation to its stockholders shall not be taxable.

(e) In case the Corporation shall be a party to any transaction (including without limitation a merger, consolidation, sale of all or substantially all of the Corporation's assets or recapitalization of the Common Stock and excluding any transaction as to which paragraph (d)(i) of this Section (7) applies) (each of the foregoing being referred to as a "Transaction"), in each case as a result of which shares of Common Stock shall be converted into the right to receive stock, securities or other property (including cash or any combination thereof), each share of Series A Preferred Stock which is not converted into the right to receive stock, securities or other property in connection with such Transaction shall thereafter be convertible into the kind and amount of shares of stock and other securities and property receivable (including cash) upon the consummation of such Transaction by a holder of that number of shares or fraction thereof of Common Stock into which one share of Series A Preferred Stock was convertible immediately prior to such Transaction. The Corporation shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (e) and it shall not consent or agree to the occurrence of any Transaction until the Corporation has entered into an agreement with the successor or purchasing entity, as the case may be, for the benefit of the holders of the Series A Preferred Stock which will contain provisions enabling the holders of the Series A Preferred Stock which remains outstanding after such Transaction to convert into the consideration received by holders of Common Stock at the Conversion Price immediately after such Transaction. The provisions of this paragraph (e) shall similarly apply to successive Transactions.

(f) If:

(i) the Corporation shall declare a dividend (or any other distribution) on the Common Stock (other than a

regular cash dividend that the Board of Directors determines can be maintained by the Corporation for at least four consecutive periods covering at least one year and that the Board of Directors intends to maintain for at least four consecutive periods covering at least one year or a dividend that, together with all dividends paid in the prior twelve months, does not exceed one percent (1%) of the aggregate fair market value of the Series A Preferred Stock and the Common Stock on the date such dividend is declared, in each case, out of profits or surplus); or

(ii) the Corporation shall authorize the granting to the holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(iii) there shall be any reclassification of the Common Stock (other than an event to which paragraph (d)(i) of this Section (7) applies) or any consolidation or merger to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or the sale or transfer of all or substantially all of the assets of the Corporation,

then the Corporation shall cause to be filed with the Transfer Agent and shall cause to be mailed to the holders of shares of the Series A Preferred Stock at their addresses as shown on the stock records of the Corporation, as promptly as possible, but at least 15 days prior to the applicable date specified in clauses (A) and (B) below, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (B) the date on which such reclassification, consolidation, merger, sale or transfer is expected, that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale or transfer. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section (7).

(g) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly file with the Transfer Agent an officers' certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

Promptly after delivery of such certificate, the Corporation shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to the holder of each share of Series A Preferred Stock at his or her last address as shown on the stock records of the Corporation.

(h) In any case in which paragraph (d) of this Section (7) provides that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any share of Series A Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount in cash in lieu of any fraction pursuant to paragraph (c) of this Section (7).

(i) For purposes of this Section (7), the number of shares of Common Stock at any time outstanding shall not include any shares of Common Stock then owned or held by or for the account of the Corporation.

(j) Notwithstanding any other provision herein to the contrary, the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in shares of Common Stock under any such plan at a price per share of at least 95% of Current Market Price, and the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant to any employee benefit plan or program of the Corporation or pursuant to any option, warrant, right or exercisable, exchangeable or convertible security (including, but not limited to, Class A Stock) outstanding as of the date the Series A Preferred Stock was first designated, shall not be deemed to constitute an issuance of Common Stock or exercisable, exchangeable or convertible securities by the Corporation to which this Section (7) applies. There shall be no adjustment of the Conversion Price in case of the issuance of any stock of the Corporation in a reorganization, acquisition or other similar transaction except as specifically set forth in this Section (7). If any action or transaction would require adjustment of the Conversion Price pursuant to more than one paragraph of this Section (7), only

one adjustment shall be made and such adjustment shall be the amount of adjustment which has the highest absolute value.

(k) In case the Corporation shall take any action affecting the Common Stock, other than action described in this Section (7), which in the opinion of the Board of Directors would materially adversely affect the conversion rights of the holders of the shares of Series A Preferred Stock, the Conversion Price for the Series A Preferred Stock may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances.

(l) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversion of the Series A Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series A Preferred Stock not theretofore converted. For purposes of this paragraph (l), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Series A Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value of the shares of Common Stock deliverable upon conversion of the Series A Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully-paid and nonassessable shares of Common Stock at such adjusted Conversion Price.

The Corporation will use all reasonable efforts to list the shares of Common Stock required to be delivered upon conversion of the Series A Preferred Stock prior to such delivery, upon 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.

Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series A Preferred Stock, the Corporation will use all reasonable efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such



securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(m) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversion of the Series A Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Series A Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the reasonable satisfaction of the Corporation, that such tax has been paid.

(8) Ranking. Any class or classes of stock of the Corporation shall be deemed to rank:

(i) prior to the Series A 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 A Preferred Stock;

(ii) on a parity with the Series A 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 A Preferred Stock, if the holders of such class of stock and the Series A 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 A Preferred Stock, as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock shall be Common Stock or Class A Stock or if the holders of Series A 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 law, holders of Series A Preferred Stock shall have no voting rights. Whenever, at any time or times, dividends payable on the shares of Series A Preferred Stock at the 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 holders of Series A Preferred Stock shall have the exclusive right, voting separately as a class with holders of shares of any one or more other series of preferred stock ranking on a parity with the Series A Preferred Stock as to dividends, or on the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, to elect two directors of the Corporation at the Corporation's next annual meeting of stockholders and at each subsequent annual meeting of stockholders. At elections for such directors, each holder of Series A Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any other series of preferred stock ranking on such a parity being entitled to such number of votes, if any, for each share of stock held as may be granted to them). Upon the vesting of such right of the holders of Series A Preferred Stock, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of outstanding Series A Preferred Stock (either alone or together with the holders of shares of any one or more other series of preferred stock ranking on such a parity and having like voting rights) as hereinafter set forth. The right of holders of Series A Preferred Stock, voting separately as a class, to elect (either alone or together with the holders of shares of any one or more other series of preferred stock ranking on such a parity and having like voting rights) members of the Board of Directors as aforesaid shall continue until such time as all dividends accumulated on Series A Preferred Stock shall have been paid in full, at which time such right shall terminate, except as herein or by law expressly provided, subject to reversion in the event of each and every subsequent default of the character above mentioned.

If the office of any director elected by the holders of Series A Preferred Stock, voting as a class, becomes vacant by reason of death, resignation, retirement, disqualification or removal from office or otherwise, the remaining director elected by the holders of Series A Preferred Stock, voting as

a class, 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 A Preferred Stock to vote for directors as herein provided, the term of office of all directors then in office elected by Series A Preferred Stock, voting as a class, shall terminate immediately. Whenever the term of office of the directors elected by the holders of Series A Preferred Stock, voting as a class, shall so terminate and the special voting powers vested in the holders of Series A Preferred 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 A Preferred Stock remain outstanding, the consent of the holders of at least two-thirds of the shares of Series A 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 A Preferred Stock as 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 right, preference or voting power of Series A Preferred Stock or of the holders thereof; 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 A 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 A 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 A 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 Philippe P. Dauman, its Senior Vice President, General Counsel and Secretary, and attested by Katherine B. Rosenberg, its Assistant Secretary, this 21st day of October, 1993.

VIACOM INC.

By  
Philippe P. Dauman  
Senior Vice President,  
General Counsel  
and Secretary

(Corporate Seal)

Attest:

By  
Katherine B. Rosenberg  
Assistant Secretary

ANNEX II

Registration Rights

(a) The Purchaser shall have the right at any time after the earlier of (i) the date of exercise of the Purchaser's put right under paragraph (9) of the agreement dated as of October 21, 1993 between the Purchaser and the Company (the "Agreement"), (ii) the acquisition by the Company or any of its Affiliates of Beneficial Ownership of a majority of the outstanding voting capital stock of PCI and (iii) the expiration of the Put/Call Period to make three requests of the Company in writing: with respect to the first such request to register under the 1933 Act at least \$25 million in value (stated value in the case of the Preferred Stock and market value in the case of the Class B Common Stock) of the Preferred Stock or the Class B Common Stock (collectively, the "Securities") Beneficially Owned by the Purchaser (the shares subject to any such request hereunder being referred to as the "Subject Stock"), and with each subsequent such request being at least 6 months following such prior request which resulted in a registration statement with respect to the Subject Stock which was effective until the earlier of the completion of the offering of such Subject Stock or three months. The Company shall use all reasonable efforts to cause the Subject Stock to be registered under the 1933 Act as soon as reasonably practicable after receipt of a request so as to permit promptly the sale thereof, and in connection therewith, the Company shall prepare and file, on such appropriate form as the Company in its discretion shall determine, a registration statement under the 1933 Act to effect such registration. The Company shall use all reasonable efforts to list all Subject Stock covered by such registration statement on any national securities exchange on which Securities of the same class and, if applicable, series, covered by such registration statement or on which the underlying common stock of the same class and, if applicable, series, are then listed or, if such listing cannot be made, to list such Subject Stock on the National Association of Securities Dealers Automated Quotation System or National Market System. The Purchaser hereby undertakes to provide all such information and materials and take all such action as may be required in order to permit the Company to comply with all applicable requirements of the Commission and to obtain any desired acceleration of the effective date of such registration statement. Any registration statement filed at the Purchaser's request hereunder will not count as a requested registration unless effectiveness is maintained until the earlier of completion of the offering and three

months. Notwithstanding the foregoing, the Company (i) shall not be obligated to cause any special audit to be undertaken in connection with any such registration (provided that this provision shall not relieve the Company of its obligation to obtain any required consents with respect to financial statements in prior periods) and (ii) shall be entitled to postpone for a reasonable period (not to exceed 180 days) of time the filing of any registration statement otherwise required to be prepared and filed by the Company if the Company is, at such time, either (A) conducting or about to conduct an underwritten public offering of equity securities (or securities convertible into equity securities) or is subject to a contracted obligation not to engage in a public offering and is advised in writing by its managing underwriter or underwriters (with a copy to the Purchaser) that such offering would in its or their opinion be adversely affected by the registration so requested or (B) subject to an existing contractual obligation to its underwriters not to engage in a public offering.

At any time after January 1, 1995, if the Company proposes to file a registration statement under the Securities Act with respect to an offering of its equity securities (i) for its own account (other than a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission)) or (ii) for the account of any holders of its securities (including any pursuant to a demand registration), then the Company shall give written notice of such proposed filing to the Purchaser as soon as practicable (but in any event not less than 5 Business Days before the anticipated filing date), and such notice shall offer the Purchaser the opportunity to register such number of shares of Securities as the Purchaser requests. If the Purchaser wishes to register securities of the same class or series as the Company or such holder, such registration shall be on the same terms and conditions as the registration of the Company's or such holders' securities (a "Piggyback Registration"). Notwithstanding anything contained herein, if the lead underwriter of an offering involving a Piggyback Registration delivers a written opinion to the Company that the success of such offering would be materially and adversely affected by inclusion of all the securities requested to be included, then the number of securities to be registered by each party requesting registration rights shall be reduced in proportion to the number of securities originally requested to be registered by each of them. Nothing contained herein shall require the Company to reduce the number of shares proposed to be issued by the Company.

No securities may be registered on a registration statement requested by the Purchaser under this Agreement without the Purchaser's express written consent.

(b) In connection with any offering of shares of Subject Stock registered pursuant to this Annex II, the Company (i) shall furnish to the Purchaser such number of copies of any prospectus (including any preliminary prospectus) as it may reasonably request in order to effect the offering and sale of the Subject Stock to be offered and sold, but only while the Company shall be required under the provisions hereof to cause the registration statement to remain current and (ii) take such action as shall be necessary to qualify the shares covered by such registration statement under such "blue sky" or other state securities laws for offer and sale as the Purchaser shall request; provided, however, that the Company shall not be obligated to qualify as a foreign corporation to do business under the laws of any jurisdiction in which it shall not then be qualified or to file any general consent to service of process in any jurisdiction in which such a consent has not been previously filed. If applicable, the Company shall enter into an underwriting agreement with a managing underwriter or underwriters selected by it (reasonably satisfactory to the Purchaser) containing representations, warranties, indemnities and agreements then customarily included by an issuer in underwriting agreements with respect to secondary distributions; provided, however, that such underwriter or underwriters shall agree to use their best efforts to ensure that the offering results in a distribution of the Subject Stock sold in accordance with the terms of the agreement. In connection with any offering of Subject Stock registered pursuant to this Annex II, the Company shall (x) furnish to the underwriter, at the Company's expense, unlegended certificates representing ownership of the Subject Stock being sold in such denominations as requested and (y) instruct any transfer agent and registrar of the Subject Stock to release any stop transfer orders with respect to such Subject Stock. Upon any registration becoming effective pursuant to this Annex II, the Company shall use all reasonable efforts to keep such registration statement current for such period as shall be required for the disposition of all of said Subject Stock; provided, however, that such period need not exceed three months.

(c) The Purchaser shall pay all underwriting discounts and commissions related to shares of Subject Stock being sold by the Purchaser. The Company shall pay all other fees and expenses in connection with any registration statement, including, without limitation, all registration

and filing fees, all fees and expenses of complying with securities or "blue sky" laws, fees and disbursements of the Company's counsel, the counsel of the Purchaser, accountants (including the expenses of "cold comfort" letters required by or incident to such performance and compliance) and any fees and disbursements of underwriters customarily paid by issuers in secondary offerings.

(d) In the case of any offering registered pursuant to this Annex II, the Company agrees to indemnify and hold the Purchaser, each underwriter of Securities under such registration and each person who controls any of the foregoing within the meaning of Section 15 of the 1933 Act and the directors and officers of the Purchaser, harmless against any and all losses, claims, damages, liabilities or action to which they or any of them may become subject under the 1933 Act or any other statute or common law or otherwise, and to reimburse them for any legal or other expenses reasonably incurred by them in connection with investigating any claims and defending any actions, insofar as any such losses, claims, damages, liabilities or actions shall arise out of or shall be based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the registration statement relating to the sale of such Subject Stock, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus (as amended or supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto), if used prior to the effective date of such registration statement, or contained in the prospectus (as amended or supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto), or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the indemnification agreement contained in this paragraph (d) shall not apply to such losses, claims, damages, liabilities or actions which shall arise from the sale of Subject Stock by the Purchaser if such losses, claims, damages, liabilities or actions shall arise out of or shall be based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission shall have been (x) made in reliance upon and in conformity with information furnished in writing to the Company by the Purchaser or any such underwriter specifically for use in connection with the



preparation of the registration statement or any preliminary prospectus or prospectus contained in the registration statement or any such amendment thereof or supplement thereto or (y) made in any preliminary prospectus, and the prospectus contained in the registration statement in the form filed by the Company with the Commission pursuant to Rule 424(b) under the 1933 Act shall have corrected such statement or omission and a copy of such prospectus shall not have been sent or given to such person at or prior to the confirmation of such sale to him.

(e) In the case of each offering registered pursuant to this Annex II, the Purchaser and each underwriter participating therein shall agree, in the same manner and to the same extent as set forth in paragraph (d) of this Annex II severally to indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of Section 15 of the 1934 Act, and the directors and officers of the Company, and in the case of each such underwriter, the Purchaser, each person, if any, who controls the Purchaser within the meaning of the 1934 Act and the directors, officers and partners of the Purchaser, with respect to any statement in or omission from such registration statement or any preliminary prospectus (as amended or as supplemented, if amended or supplemented as aforesaid) or prospectus contained in such registration statement (as amended or as supplemented, if amended or supplemented as aforesaid), if such statement or omission shall have been made in reliance upon and in conformity with information furnished in writing to the Company by the Purchaser or such underwriter specifically for use in connection with the preparation of such registration statement or any preliminary prospectus or prospectus contained in such registration statement or any such amendment thereof or supplement thereto.

(f) Each party indemnified under paragraph (d) or (e) of this Annex II shall, promptly after receipt of notice of the commencement of any action against such indemnified party in respect of which indemnity may be sought hereunder, notify the indemnifying party in writing of the commencement thereof. The omission of any indemnified party to so notify an indemnifying party of any such action shall not relieve the indemnifying party from any liability in respect of such action which it may have to such indemnified party on account of the indemnity agreement contained in paragraph (d) or (e) of this Annex II, unless the indemnifying party was prejudiced by such omission, and in no event shall relieve the indemnifying party from any other liability which it may have to such indemnified party. In case any such action

shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may desire, jointly with any other indemnifying party similarly notified, to assume the defense thereof, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under paragraph (d) or (e) of this Annex II for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation.

(g) If the indemnification provided for under paragraph (d) or (e) shall for any reason be held by a court to be unavailable to an indemnified party under paragraph (d) or (e) hereof in respect of any loss, claim, damage or liability, or any action in respect thereof, then, in lieu of the amount paid or payable under paragraph (d) or (e) hereof, the indemnified party and the indemnifying party under paragraph (d) or (e) hereof shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating the same), (i) in such proportion as is appropriate to reflect the relative fault of the Company and the prospective seller of Securities covered by the registration statement which resulted in such loss, claim, damage or liability, or action in respect thereof, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as shall be appropriate to reflect the relative benefits received by the Company and such prospective seller from the offering of the securities covered by such registration statement. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. In addition, no Person shall be obligated to contribute hereunder any amounts in payment for any settlement of any action or claim effected without such Person's consent, which consent shall not be unreasonably withheld.

(h) Capitalized terms not defined in this Annex shall have the meanings set forth in the Agreement.

Exhibit A

1. The execution and delivery of the Agreement by the Company and the performance of its obligations thereunder have been duly and validly authorized by all necessary corporate action on the part of the Company.
2. The Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).
3. The Preferred Stock has been validly issued, is fully paid and nonassessable, has not been issued in violation of or subject to any preemptive rights and has the rights set forth in the Company's Restated Certificate of Incorporation, as amended through the date hereof.
4. When each share of Common Stock deliverable upon conversion of the Preferred Stock has been delivered upon such conversion in accordance with the terms of the Company's Restated Certificate of Incorporation, as then amended, such shares of Common Stock will be validly issued, fully paid and nonassessable, will not have been issued in violation of or subject to any preemptive rights and will have the rights set forth in the Company's Restated Certificate of Incorporation, as then amended.

Exhibit B

1. The execution and delivery of the Agreement by the Purchaser and the performance of its obligations thereunder have been duly and validly authorized by all necessary corporate action on the part of the Purchaser.

2. The Agreement has been duly and validly executed and delivered by the Purchaser and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

Exhibit C

Assuming the due authorization, execution and delivery by the Company, the Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company, in accordance with its terms, provided that (i) the enforceability of the Agreement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and (ii) we express no opinion as to the enforceability of any right to indemnity or contribution under the Agreement which are violative of the public policy underlying any law, rule or regulation (including any state and Federal securities law, rule or regulation).

## VIACOM INTERNATIONAL INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(In thousands, except ratios)

	Year Ended December 31,				
	1993	1992	1991	1990	1989
Earnings (loss) before income taxes	\$303,665	\$164,617	\$66,274	(\$16,046)	\$266,058
Add:					
Distribution income of Affiliated Companies	13,441	9,447	5,546	2,800	4,500
Interest expense, net of capitalized interest	150,738	195,223	252,921	243,283	258,032
Capitalized interest amortized	2,094	2,376	2,326	2,249	2,349
1/3 of rental expense	24,745	22,640	21,537	18,781	15,492
Earnings	\$494,683	\$394,303	\$348,604	\$251,067	\$546,431
Fixed charges:					
Interest costs on all indebtedness	\$151,111	\$195,725	\$253,434	\$244,123	\$313,805
1/3 of rental expense	24,745	22,640	21,537	18,781	15,492
Total fixed charges	\$175,856	\$218,365	\$274,971	\$262,904	\$329,297
Ratio of earnings to fixed charges	2.81	1.81	1.27	Note (a)	1.66

(a) As a result of the interest expenses associated with the indebtedness of the Company outstanding under the Credit Agreement and under the 1988 Existing Subordinated Debt, earnings of the Company were insufficient to cover fixed charges for the year ended December 31, 1990. The additional amount of earnings required to cover the fixed charges of the Company for the year ended December 31, 1990, would have been \$11,837.

VIACOM INC. AND  
VIACOM INTERNATIONAL INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(In thousands, except ratios)

	Year Ended December 31,				
	1993	1992	1991	1990	1989
Earnings (loss) before income taxes	\$301,816	\$155,579	\$8,247	(\$70,363)	\$144,913
Add:					
Distribution income of Affiliated Companies	13,441	9,447	5,546	2,800	4,500
Interest expense, net of capitalized interest	154,137	195,223	298,078	295,305	313,079
Capitalized interest amortized	2,094	2,376	2,326	2,249	2,349
1/3 of rental expense	24,745	22,640	21,537	18,781	15,492
Earnings	\$496,233	\$385,265	\$335,734	\$ 248,772	\$480,333
Fixed charges:					
Interest costs on all indebtedness	\$154,510	\$195,725	\$298,591	\$296,145	\$313,805
1/3 of rental expense	24,745	22,640	21,537	18,781	15,492
Total fixed charges	\$179,255	\$218,365	\$320,128	\$314,926	\$329,297
Ratio of earnings to fixed charges	2.77	1.76	1.05	Note b	1.46

(b) As a result of the interest expense associated with the Viacom Inc.'s consolidated indebtedness outstanding under the Credit Agreement, the 1988 Existing Subordinated Debt and the Exchange Debentures, earnings of Viacom Inc. were insufficient to cover fixed charges for the year ended December 31, 1990. The additional amount of earnings required to cover fixed charges of Viacom Inc. for the year ended December 31, 1990 would have been \$66,154.

## SUBSIDIARIES

Viacom Inc., a Delaware corporation, is approximately 76% owned by National Amusements, Inc. The major stockholder of National Amusements, Inc. is Sumner Redstone. Viacom International Inc., a Delaware corporation, is a direct, wholly owned subsidiary of Viacom Inc. Paramount Communications Inc. is 50.1% owned by Viacom Inc and such ownership was acquired on March 11, 1994.

The subsidiaries of Viacom International Inc. are as follows:

Name -----	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned Directly or Indirectly
PROGRAM DISTRIBUTION AND PRODUCTION SUBSIDIARIES: -----		
Film Intex Corporation	Delaware	100
Tele-Vu Ltee.	Canada	100
VE Productions Inc.	New York	100
Viacom Canada Limited	Canada	100
Viacom Enterprises Canada Limited	Canada	100
Viacom First Run Limited	Delaware	100
Our Home Productions Inc.	Delaware	100
TV Scoop Inc.	Delaware	100
VE Development Company	Delaware	100
VE Drive Inc.	Delaware	100
VE Television Inc.	Delaware	100
Viacom First Run Development Company Inc.	Delaware	100
VJK Inc.	Delaware	100
Viacom International Limited	United Kingdom	100
Viacom International Pty. Limited	Australia	100
Viacom Japan Inc.	New York	100
Viacom Pacific Limited	Vanuatu	100
Viacom Productions Inc.	Delaware	100
Jake and the Fatman Productions Inc.	Delaware	100
Low Key Productions Inc.	Delaware	100
The Matlock Company	Delaware	100
They Productions Inc.	Delaware	100
My Shadow Productions Inc.	Delaware	100
PMV Productions Inc.	Delaware	100
VP Programs Inc.	California	100
Viacom S. A.	Switzerland	100
Viacom Video-Audio Comunicacoes Limitada	Brazil	100
VSC Productions Inc.	New York	100

Name -----	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned Directly or Indirectly
CABLE TELEVISION SUBSIDIARIES: -----		
Cable TV of Marin, Inc.	California	100
Clear View Cable Systems, Inc.	California	100
Com-Cable TV, Inc.	Delaware	100
H-C-G Cablevision Inc.	California	100
Viacom Cablevision Inc.	California	100
Marin Cable Television, Inc.	California	100
Television Signal Corporation	California	100
Tele-Vue Systems, Inc.	Washington	100
Broadview Television Company	Washington	100
Cable TV Puget Sound, Inc.	Washington	100
Channel 3 Everett, Inc.	Washington	100
Community Telecable of Bellevue, Inc.	Washington	100
Community Telecable of Seattle, Inc.	Washington	100
Contra Costa Cable Company	Washington	100
Crockett Cable Systems, Inc.	Washington	100
Everett Cablevision, Inc.	Washington	100
Far-West Communications, Inc.	Oregon	100
United Community Antenna System, Inc.	Washington	100
Vista Television Cable, Inc.	Washington	100
Viacom Bay Area Sports Inc.	Delaware	100
Viacom Bay Interconnect Inc.	California	100
Viacom Cablevision of Dayton Inc.	Delaware	100
Viacom Cablevision of Northern California Inc.	California	100
Viacom K-Band Inc.	Delaware	100
Viacom Shopping Inc.	Delaware	100
Viacom Telecom Inc.	Delaware	100
VSC Cable Inc.	Delaware	100

BROADCASTING SUBSIDIARIES:



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Broadcast Leasing Inc. Delaware 100  
KBSG Inc. Delaware 100  
KNDD Inc. Delaware 100  
KYSR Inc. Delaware 100  
Riverside Broadcasting Co., Inc. Delaware 100  
Viacom Broadcasting of Missouri Inc. Delaware 100  
Viacom Broadcasting West Inc. Delaware 100  
VSC Communications Inc. Delaware 100  
WMZQ Inc. Delaware 100  
WNYT Inc. Delaware 100  
WVIT Inc. Delaware 100

Name -----	State or Other Jurisdiction of Incorporation -----	Percentage of Voting Securities Owned Directly or Indirectly -----
VIACOM NETWORKS GROUP: -----		
SHOWTIME NETWORKS INC.: -----		
Showtime Networks Inc.	Delaware	100
All Media Inc.	Delaware	100
Interstitial Programs Inc.	Delaware	100
Part-Time Productions Inc.	Delaware	100
Satellite Holdings Inc.	Delaware	100
Showtime Networks Inc. (U.K.)	Delaware	100
Showtime Networks Satellite Programming Company	California	100
Showtime Satellite Networks Inc.	Delaware	100
SNI Development Corp.	Delaware	100
Toe-To-Toe Productions, Inc.	Delaware	100
Viacom Pictures Inc.	Delaware	100
Viacom Pictures Development Company	Delaware	100
Viacom Pictures Movie Music Inc.	Delaware	100
Viacom Pictures Overseas Inc.	Delaware	100
Viacom Pictures Songs Inc.	Delaware	100
Viacom Satellite News Inc.	Delaware	100
MTV NETWORKS: -----		
Games Productions Inc.	Delaware	100
Bardwire Inc.	Delaware	100
Games Animations Inc.	Delaware	100
QWERTY Inc.	Delaware	100
Uptown Productions Inc.	Delaware	100
MTV Australia Inc.	Delaware	100
MTV Latino Inc.	Delaware	100
MTV Networks Company	Delaware	100
MTV Networks Europe Inc.	Delaware	100
MTV Songs Inc.	Delaware	100
MTVN Shopping Inc.	Delaware	100
Music By Nickelodeon Inc.	Delaware	100
Music By Video Inc.	Delaware	100
Nickelodeon Huggings U.K. Limited	United Kingdom	100
Nickelodeon Magazines Inc.	Delaware	100
Reality Check Productions Inc.	Delaware	100
Outatown Productions Inc.	Delaware	100
Remote Productions Inc.	Delaware	100
Tunes By Nickelodeon Inc.	Delaware	100
Viacom Camden Lock Inc.	Delaware	100
Viacom HA! Holding Company	Delaware	100
Viacom Networks Europe Inc.	Delaware	100
Viacom VH-1 Holding Company	Delaware	100

Name	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned Directly or Indirectly
-----	-----	-----
LIFETIME:		
-----		
LT Holdings Inc.	Delaware	100
OTHER:		
-----		
Glendale Property Corp.	Delaware	100
Viacom International Inc. Political Action Committee Corp.	New York	100
Viacom MGS Services Inc.	Delaware	100
Viacom Networks Inc.	New York	100
Viacom Telecommunications (D.C.) Inc.	Delaware	100
Viacom Sub Inc.	Delaware	100
Viacom World Wide Limited	New York	100
VNM Inc.	Delaware	100
VSC Compositions Inc.	New York	100
VSC Music Inc.	New York	100

SUBSIDIARIES OF VIACOM INC. (indirect interest acquired on March 11, 1994)

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Paramount Communications Inc.

Consolidated Subsidiaries of Paramount Communications Inc.

1020917 Ontario Inc.	Ontario	100
Actrax International Corporation	Delaware	100
Broadcast Holdings Ltd., L.P.	Delaware	100
Computer Curriculum Corporation	Delaware	100
CPW Holdings Inc.	Delaware	100
CPW Investments Ltd., L.P.	Delaware	100
Eighth Century Corporation	Delaware	100
Famous Players Inc.	Canada	100
Festival Inc.	Delaware	100
Gulf & Western International N.V.	Netherlands Antilles	100
International Raw Materials Limited	Bahamas	100
Kings Island Company	Delaware	100
Maarten Investering's Partnership	New York	100
Madison Square Garden Corporation	Delaware	100
Modern Curriculum Press, Inc.	Ohio	100

Name	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned Directly or Indirectly
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SUBSIDIARIES OF VIACOM INC. (CONT'D)

Consolidated Subsidiaries of Paramount Communications Inc. (Cont'd)

Monetas N.V.	Netherlands	100
	Antilles	
Newtel Inc.	Delaware	100
NIEUW ORANJESTAD Partnership	New York	100
Nine W Inc.	Delaware	100
Paramount Communications Acquisition Corporation	Delaware	100
Paramount Communications B.V.	Netherlands	100
Paramount Communications (Canada) Limited	Ontario	100
Paramount Communications Holding Company	Delaware	100
Paramount Communications Realty Corporation	Delaware	100
Paramount Home Video, Inc.	Delaware	100
Paramount Parks Inc.	Delaware	100
Paramount Pictures (Canada) Inc.	Ontario	100
Paramount Pictures Corporation	Delaware	100
Paramount Stations Group Inc.	Virginia	100
Paramount Stations Holding Company Inc.	Virginia	100
Paramount Stations Group of Philadelphia Inc.	Virginia	100
Paramount Television Service, Inc.	Delaware	100
PCI Canada Inc.	Delaware	100
PCI's Holdings Corporation	Delaware	100
Premier Advertiser Sales Inc.	Delaware	100
Prentice-Hall Canada Inc.	Ontario	100
Prentice-Hall, Inc.	Delaware	100
Prentice-Hall International, Inc.	New York	100
Silver Burdett Ginn Inc.	Delaware	100
Simon & Schuster, Inc.	New York	100
Theatre 59 Ltd.	Delaware	100

Unconsolidated Subsidiaries of Paramount Communications Inc.

Canada's Wonderland, Inc.	Ontario	20
Cinema International Corporation N.V.	Netherlands	49
Cinema International B.V.	Netherlands	49
Cinamerica Theatres, L.P.	Delaware	50
United Cinemas International Multiplex B.V.	Netherlands	49
United International Pictures B.V.	Netherlands	33
USA Networks	New York	50

Consent of Independent Accounts

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-59356) of Viacom Inc. and Viacom International Inc. and Form S-8 (No. 33-41934 and No. 33-56088) 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 II-32 and F-2 of this Form 10-K.

PRICE WATERHOUSE

New York, New York  
March 31, 1994

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 Number 33-59356) of Viacom Inc. and Viacom International Inc. and the Registration Statements (Form S-8 Numbers 33-41934 and 33-56088) of Viacom Inc. and in the related Prospectuses 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 further amended March 21, 1994, which are incorporated by reference in this Annual Report (Form 10-K).

ERNST & YOUNG

New York, New York  
March 31, 1994

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director and/or officer of VIACOM INC., a Delaware corporation (the "Company"), 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 29th day of March, 1994.

/s/ Sumner M. Redstone

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Sumner M. Redstone

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 25th day of February 1994.

/s/ George S. Abrams

-----  
George S. Abrams

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 2nd day of March 1994.

/s/ Ken Miller  
-----  
Ken Miller



VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 28th day of February 1994.

/s/ Brent D. Redstone  
-----  
Brent D. Redstone

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 2nd day of March 1994.

/s/ William Schwartz

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William Schwartz

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 4th day of March 1994.

/s/ William C. Ferguson  
-----  
William C. Ferguson

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of VIACOM INC., a Delaware corporation (the "Company"), hereby constitutes and appoints Philippe 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 28th day of February 1994.

/s/ Frederic V. Salerno  
-----  
Frederic V. Salerno

VIACOM INC.

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS that the undersigned director and/or officer of VIACOM INC., a Delaware corporation (the "Company"), 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (and any amendments thereto); granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto signed my name this 1st day of March 1994.

/s/ H. Wayne Huizenga  
-----  
H. Wayne Huizenga

PART I

Item 1. Business.

The businesses of Paramount Communications Inc. are entertainment and publishing. Entertainment includes the production, financing and distribution of motion picture, 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.

Principal Activities\*  
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. In the six-month period ended April 30, 1993, Paramount Pictures released six 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 Inc. and MGM.

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 and, therefore, Paramount Pictures' operating results are subject to substantial fluctuation. At April 30, 1993, the unrecognized revenues attributable to licensing of completed films from Paramount Pictures' license agreements were \$478 million. Paramount Pictures has an exclusive pay television license agreement with Home Box Office to include 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

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\* For a discussion of the Company's business segments and operating results see "Financial Reporting by Business Segments" and "Management's Discussion and Analysis" on pages F-5 through F-11 and F-26.

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 890 motion pictures in its library.

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 April 30, 1993, the unrecognized revenues from such television license agreements were \$260 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 441 screens in 107 theaters throughout Canada. Cinamerica, a joint venture with Time Warner Inc., 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 234 screens in 25 theaters in the United Kingdom and Ireland, 42 screens in 3 theaters in Germany and 69 screens in 24 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 seven countries, 32 screens in 18 theaters which are owned by Cinema International Corporation, a joint venture with MCA.

Television Broadcasting and Cable Television Networks.

Paramount Stations Group owns and operates seven television stations: WTXF-TV, Philadelphia; KRRT(TV), San Antonio; WFLI-TV, Raleigh/Durham; WDCA-TV, Washington, D.C.; KTXA(TV), Dallas;

KTXH(TV), Houston; and WKBD-TV, Detroit. Paramount Communications 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 61 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 Canada's Wonderland located near Toronto, Ontario. In May 1993, Paramount Parks acquired the 80% interest in 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.

Competition and Regulation. Paramount Pictures competes intensely with other major studios and independent film producers in the production and distribution of motion pictures and videocassettes. Similarly, as a producer and distributor of television programs, it competes with other studios and independent producers in the licensing of television programs to both networks and independent television stations. Paramount Pictures' competitive position primarily depends on the quality of the product produced, public response and cost. Theatrical exhibitors compete for access to films and audiences. Paramount's television stations compete in their respective markets for viewers and advertisers with other independent and network affiliated broadcast stations and with cable channels. USA Networks vies with other cable networks and with independent television stations and network affiliated broadcast stations to attract viewers and advertisers. Madison Square Garden's sports and entertainment operations compete against other sporting and entertainment events in their respective areas. Paramount's theme parks compete with other theme parks in their respective geographic regions as well as with other forms of leisure entertainment.



Paramount Pictures is subject to a consent decree, entered in 1948, which contains restrictions on certain motion picture trade practices in the United States. Television broadcasting is subject to extensive regulation by the Federal Communications Commission, which governs, among other things, the issuance, transfer, term and renewal of broadcast licenses. Network and syndication television revenues could be adversely affected by changes in the regulatory restrictions imposed on the networks by the FCC and certain consent decrees entered into by the networks. The FCC restrictions, which prohibited television networks from acquiring financial or proprietary interests, other than the right to network exhibition, in television programs produced by program suppliers, were substantially relaxed by the FCC in 1993. The FCC has been asked to reconsider the issuance of the revised rules. In the meantime, the revised rules are in effect. The ability of the networks to acquire financial interests and syndication rights in television programming produced by non-network suppliers, however, continues to be prohibited by the consent decrees. The networks, supported by the United States Department of Justice, are seeking in federal district court to eliminate the financial interest and syndication prohibitions in the consent decrees. If the consent decrees are modified as requested, the networks will be able to negotiate with programmers to acquire financial interests and syndication rights in television programs that air on the networks. Unless otherwise extended by the FCC, the FCC's revised rules will expire two years after the district court grants the networks' request to modify the consent decrees.

Properties and Employees. Paramount Pictures' studio in Los Angeles, California, is used for production of most of its television series and for production of some of its motion pictures. In addition, facilities at the studio are rented to outside motion picture and television producers. The 62-acre studio contains 32 production sound stages. The theater operations, either directly or through joint ventures, own or operate under lease the theaters described above under "Theatrical Exhibition." Paramount Stations Group leases approximately 127,000 square feet of office and studio space. The theme park operations in the United States include 1,627 acres owned and 294 acres leased and in Canada include 200 acres owned and 97 acres leased. Madison Square Garden owns the Madison Square Garden facility. The Entertainment operations (exclusive of joint ventures) employ approximately 3,800 persons on a full-time basis.

#### Publishing

Paramount Publishing includes well-known imprints such as Simon & Schuster, Pocket Books, Prentice Hall, Silver Burdett Ginn and Computer Curriculum Corporation, among others. In fiscal 1992, Paramount Publishing was organized into seven groups: School, Higher Education, Supplementary Education, Consumer, Business and Professional, Educational Technology and

International. In fiscal 1993, Publishing's operations were reorganized into six groups with School, Supplementary Education and Educational Technology being substantially incorporated into new Elementary and Secondary groups.

**Educational Publishing.** The Elementary, Secondary and Higher Education groups (which include substantially all of the former School, Supplementary Education and Educational Technology 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," "Modern Curriculum Press," "Coronet/MTI Film & Video," "Fearon/Janus/Quercus," "Computer Curriculum Corporation," "Simon & Schuster Workplace Resources," "Academic Reference," "Regents/PH," "American Teaching Aids," "Judy/Instructo," "Ginn Press," "Alemany" and "Cambridge."

**Consumer Publishing.** The Consumer group publishes and distributes hardcover, trade paperback and mass market books and audiotapes. It publishes its hard cover 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," "Mobil" and "Real Guide" 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.** The 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. In June 1993, the Company entered into an agreement with Information America, Inc. (IA) to sell certain of the Company's businesses which provide information and services to corporate attorneys and lending institutions, professional tax preparation and practice management software to accounting firms and law firms, and software to manage and maintain trademark and patent registration. After completion of the transaction, the Company will own approximately 49% of the common stock of IA, as well as debt, preferred stock, warrants and options of IA. The Company will continue to operate other businesses which provide information to corporate attorneys and 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 Publishing's products worldwide.

Marketing and Competition. Publishing rights derive from authors and other publishers and are essential because they are the principal source of Publishing's products. Business reputation, financial resources, editorial and marketing skills and distribution capabilities are the principal factors involved in the competition for purchasing these rights. Sales are affected principally by the public's reception and the publisher's marketing capability. Publishing distributes through its own sales forces (including employees and independent contractors), through wholesalers and retailers and by direct mail.

Competition in the elementary, secondary and higher education textbook and the trade and paperback book fields is intense, with a number of strong competitors. In the field of elementary and secondary school textbooks, 22 states and some local jurisdictions limit the textbooks that may be bought by school systems to those books that have been approved by adoption or listing. In the higher education textbook field, new books compete with used books. In addition, book piracy affects sales in certain foreign markets. A large portion of annual sales of educational textbooks is made during the June to September period. In certain areas of publishing, books are usually sold on a fully-returnable basis resulting in significant product returns to publishers. In the field of information services to businesses and professionals, there are numerous organizations that provide competitive materials and services.

Properties and Employees. Publishing's facilities comprise approximately 5,910,000 square feet of space, of which about 3,822,000 square feet are leased. These facilities are used for warehouse, distribution and administrative functions. Publishing employs approximately 8,775 persons.

Item 2. Properties.

Paramount Communications and its subsidiaries lease approximately 439,000 square feet at 15 Columbus Circle, New York, New York, under a lease expiring in 1995. The remainder of the response to this item is incorporated in the response to Item 1.

Item 3. Legal Proceedings.

Paramount Communications from time to time receives claims from Federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages arising out of certain operations conducted by its former mining and manufacturing businesses. On the basis of its experience and the information currently available to it, Paramount Communications does not believe that the claims it has received will have a material adverse effect on its financial condition. Paramount Communications and various of its subsidiaries are parties to certain other legal proceedings. However, in the opinion of counsel, these proceedings are not likely to result in judgments that would have a material adverse effect on its financial condition.

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549-1004  
-----

FORM 10-K/A  
AMENDMENT NO. 1

(Mark One)  
/ / Annual Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

OR  
/X/ Transition Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the transition period from November 1, 1992 to April 30, 1993\*  
Commission file number 1-5404

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

Delaware 74-1330475  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

15 Columbus Circle, New York, New York 10023-7780  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 212-373-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$1 par value )	
7% Subordinated Debentures, Series A due 2003 )	
7% Subordinated Debentures, Series B due 2003 )	New York Stock Exchange
Common Stock Purchase Rights )	

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

The aggregate market value of the registrant's voting stock held by  
nonaffiliates of the registrant was approximately \$6.1 billion at August 23,  
1993.\*\*

At August 23, 1993, 118,417,196 shares of the registrant's Common Stock, \$1  
par value, were outstanding.

-----  
\* Paramount Communications Inc. has changed its fiscal year end from October  
31 to April 30. This transition report is for the six months ended April  
30, 1993.

\*\* Calculated by excluding all shares held by executive officers and directors  
of registrant without conceding that all such persons are "affiliates" of  
registrant for purposes of the Federal Securities laws.

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PARAMOUNT COMMUNICATIONS INC.

The registrant hereby amends the following items, financial statements, exhibits or other portions of its Transition Report on Form 10-K for the six months ended April 30, 1993, as set forth in the pages attached hereto:

Financial schedules for the six months ended April 30, 1993 and years ended October 31, 1992, 1991 and 1990.

Exhibits.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

	PAGE
	----
(a) 1. Financial Statements Index . . . . .	2
2. The following financial information is submitted herewith:	
Schedules for the six months ended or at April 30, 1993 and years ended or at October 31, 1992, 1991 and 1990:	
Report of Independent Auditors . . . . .	3
Schedule I -- Marketable Securities --- Other Investments . . .	4
Schedule II -- Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other Than Related Parties . . . . .	5
Schedule VII -- Guarantees of Securities of Other Issuers . . . .	13
Schedule VIII -- Valuation and Qualifying Accounts . . . . .	14
Schedule X -- Supplementary Income Statement Information . . .	15
Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is included in the financial statements or in the notes to financial statements or is not significant.	
3. Exhibits Index . . . . .	16
(b) Registrant filed no reports on Form 8-K during the period covered by this report.	

SIGNATURES

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

PARAMOUNT COMMUNICATIONS INC.

Date: September 28, 1993

By /s/: RONALD L. NELSON  
 -----  
 Ronald L. Nelson  
 Executive Vice President and  
 Chief Financial Officer

FINANCIAL STATEMENTS INDEX

PARAMOUNT COMMUNICATIONS INC.

Report of Independent Auditors

Selected Financial Data

Consolidated Statement of Earnings

Financial Reporting by Business Segments -  
Revenues and Operating Income (Loss)

Management's Discussion and Analysis

Consolidated Balance Sheet

Consolidated Statement of Changes in  
Stockholders' Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

The above listed consolidated financial statements and accompanying footnotes were previously filed as part of this transition report on Form 10-K for the six months ended April 30, 1993.

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors  
Paramount Communications Inc.

In connection with our audits of the consolidated financial statements of Paramount Communications Inc. as of April 30, 1993 and 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, we have also audited the consolidated schedules included in this filing on Form 10-K/A as listed in the accompanying index.

In our opinion, the consolidated schedules referred to above present fairly, in all material respects, the information required to be stated therein.

ERNST & YOUNG

New York, New York  
August 27, 1993



SCHEDULE I --- MARKETABLE SECURITIES --- OTHER INVESTMENTS

PARAMOUNT COMMUNICATIONS INC.  
 AT APRIL 30, 1993  
 (IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	COL. E
NAME OF ISSUER AND TITLE OF EACH ISSUE	NUMBER OF SHARES OR UNITS - PRINCIPAL AMOUNT OF BONDS AND NOTES	COST OF EACH ISSUE	MARKET VALUE OF EACH ISSUE AT BALANCE SHEET DATE	AMOUNT AT WHICH EACH PORTFOLIO OF EQUITY SECURITY ISSUES AND EACH OTHER SECURITY ISSUE CARRIED IN THE BALANCE SHEET
United States Government and Agency Bonds, Notes and Bills . . . . .	\$ 425.8	\$ 433.8	\$ 439.1	\$ 433.8
Commercial Paper/Corporate Obligations. . .	45.1	45.8	46.6	45.8
Asset-Backed Securities . . . . .	16.6	16.8	17.4	16.8
Mortgage-Backed Securities. . . . .	71.5	73.3	74.3	73.3
	----- \$ 559.0	----- \$ 569.7	----- \$ 577.4	----- \$ 569.7
	-----	-----	-----	-----

SCHEDULE II --- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
SIX MONTHS ENDED APRIL 30, 1993  
(DOLLARS IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
William Bernstein: 6% note payable . . . . .		\$ 0.4	\$ 0.4	
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995 . . . . .	\$ 0.2			
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .	0.5			
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995 . . . . .	0.1			
Patrick Ewing: 10% note payable; due September 1995 . . . . .	3.0			
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate . . . . .	0.4			
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.3		0.3	

COL. A	COL. E	
NAME OF DEBTOR	BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
William Bernstein: 6% note payable . . . . .		
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995 . . . . .		\$ 0.2
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		0.5
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995 . . . . .	\$ 0.1	
Patrick Ewing: 10% note payable; due September 1995 . . . . .		3.0
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate . . . . .	0.4	
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .		

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
SIX MONTHS ENDED APRIL 30, 1993  
(DOLLARS IN MILLIONS)

COL. A NAME OF DEBTOR	COL. B BALANCE AT BEGINNING OF PERIOD	COL. C ADDITIONS	COL. D DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Earl Lestz: 8% note payable; principal to be repaid out of future compensation . . . . .	0.5		0.1	
Barry London: 6% note payable . . . . .		0.1	0.1	
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993 . . . . .	0.1			
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate. . . . .	0.6	0.1		
Patrick Riley: Relocation bridge loan; due no later than August 31, 1993; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate. . . . .	1.0			
Note payable; due no later than December 31, 1996; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .	2.0			
Neil Smith: note payable; principal to be repaid the earlier of May 31, 1997 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .	0.4			
	\$ 9.1	\$ 0.6	\$ 0.9	

COL. A NAME OF DEBTOR	COL. E BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
Earl Lestz: 8% note payable; principal to be repaid out of future compensation . . . . .		0.4
Barry London: 6% note payable. . . . .		
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993. . . . .		0.1
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate. . . . .	0.1	0.6
Patrick Riley: Relocation bridge loan; due no later than August 31, 1993; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate. . . . .	1.0	
Note payable; due no later than December 31, 1996; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		2.0
Neil Smith: note payable; principal to be repaid the earlier of May 31, 1997 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		0.4
	\$ 1.6	\$ 7.2



SCHEDULE II --- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
YEAR ENDED OCTOBER 31, 1992  
(DOLLARS IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995 . . . . .		\$ 0.2		
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		0.5		
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995 . . . . .		0.1		
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate . . . . .	\$ 0.1		\$ 0.1 (A)	
Patrick Ewing: 10% note payable; due September 1995 . . . . .	3.0			
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate . . . . .		0.4		
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.8	0.1	0.6	

COL. A	COL. E	
NAME OF DEBTOR	BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995 . . . . .		\$0.2
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		0.5
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995 . . . . .	\$0.1	
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate . . . . .		
Patrick Ewing: 10% note payable; due September 1995 . . . . .		3.0
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate . . . . .		0.4
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.1	0.2

Note A --- Reclassified since individual is no longer an employee.

SCHEDULE II --- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
YEAR ENDED OCTOBER 31, 1992  
(DOLLARS IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Earl Lestz: 8% note payable; principal to be repaid out of future compensation . . . . .	0.5			
Barry London: 7% note payable; due October 1992 . . . . .		3.0	3.0	
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993 . . . . .		0.1		
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.6			
Patrick Riley: Relocation bridge loan; due no later than August 31, 1993; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .	1.0			
Note payable; due no later than December 31, 1996; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .	2.0			
Neil Smith: note payable; principal to be repaid the earlier of May 31, 1997 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		0.4		
	----- \$ 8.0 -----	----- \$ 4.8 -----	----- \$ 3.7 -----	

COL. A	COL. E	
NAME OF DEBTOR	BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
Earl Lestz: 8% note payable; principal to be repaid out of future compensation . . . . .		0.5
Barry London: 7% note payable; due October 1992 . . . . .		
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993 . . . . .		0.1
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.1	0.5
Patrick Riley: Relocation bridge loan; due no later than August 31, 1993; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .	1.0	
Note payable; due no later than December 31, 1996; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		2.0
Neil Smith: note payable; principal to be repaid the earlier of May 31, 1997 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		0.4

\$ 1.3  
-----  
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\$ 7.8  
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SCHEDULE II --- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
YEAR ENDED OCTOBER 31, 1991  
(DOLLARS IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
James Boyd: 16% note payable; relocation bridge loan . . . . .	\$0.2		\$0.2	
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate . . . . .		\$ 0.1		
Richard Evans: 7% note payable; secured by residential real estate. . . . .	0.2		0.2	
Patrick Ewing: 10% note payable; due September 1995 . . . . .	5.0		2.0	
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.8	0.1	0.1	
Earl Lestz: 8% note payable; principal to be repaid out of future compensation. . . . .	0.5			
Frank Mancuso: 6% note payable; secured by residential real estate . . . . .	2.0		2.0	

COL. A	COL. E	
NAME OF DEBTOR	BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
James Boyd: 16% note payable; relocation bridge loan . . . . .		
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate . . . . .		\$0.1
Richard Evans: 7% note payable; secured by residential real estate. . . . .		
Patrick Ewing: 10% note payable; due September 1995 . . . . .		3.0
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	\$0.1	0.7
Earl Lestz: 8% note payable; principal to be repaid out of future compensation. . . . .	0.1	0.4
Frank Mancuso: 6% note payable; secured by residential real estate . . . . .		



SCHEDULE II --- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
YEAR ENDED OCTOBER 31, 1991  
(DOLLARS IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.7	0.1	0.2	
Patrick Riley: Relocation bridge loan; due no later than August 31, 1992; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		1.0		
Note payable; due no later than December 31, 1996; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		2.0		
	----- \$ 9.4 -----	----- \$ 3.3 -----	----- \$ 4.7 -----	

COL. A	COL. E	
NAME OF DEBTOR	BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.1	0.5
Patrick Riley: Relocation bridge loan; due no later than August 31, 1992; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .	1.0	
Note payable; due no later than December 31, 1996; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate . . . . .		2.0
	----- \$ 1.3 -----	----- \$ 6.7 -----

SCHEDULE II --- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
YEAR ENDED OCTOBER 31, 1990  
(DOLLARS IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
James Boyd: 16% note payable; relocation bridge loan . . . . .		\$ 0.2		
Richard Evans: 7% note payable; due December 1990; secured by residential real estate . . . . .	\$ 0.2			
Patrick Ewing: 10% note payable; \$2.0 million due June 1991, \$3.0 million due September 1991 or, subject to certain conditions, September 1995 . . . . .	5.0			
Sidney Ganis: 8.5% note payable; secured by second mortgage on residence . . . . .	1.0	0.1	\$ 1.1	(A)
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .		0.8		
Earl Lestz: 8% note payable; principal to be repaid out of future compensation . . . . .		0.5		
Frank Mancuso: 6% note payable; principal to be paid from proceeds on sale of former residence with balance to be paid within one year of termination of employment or within 60 days if employed elsewhere; secured by residential real estate . . . . .	2.0	0.1	0.1	

COL. A	COL. E	
NAME OF DEBTOR	BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
James Boyd: 16% note payable; relocation bridge loan . . . . .	\$ 0.2	
Richard Evans: 7% note payable; due December 1990; secured by residential real estate . . . . .	0.2	
Patrick Ewing: 10% note payable; \$2.0 million due June 1991, \$3.0 million due September 1991 or, subject to certain conditions, September 1995 . . . . .	5.0	
Sidney Ganis: 8.5% note payable; secured by second mortgage on residence . . . . .		
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.1	\$0.7
Earl Lestz: 8% note payable; principal to be repaid out of future compensation . . . . .	0.1	0.4
Frank Mancuso: 6% note payable; principal to be paid from proceeds on sale of former residence with balance to be paid within one year of termination of employment or within 60 days if employed elsewhere; secured by residential real estate . . . . .		2.0

Note A --- Reclassified since individual is no longer an employee.

SCHEDULE II --- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
 PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.  
 YEAR ENDED OCTOBER 31, 1990  
 (DOLLARS IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	
			(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.9		0.2	
Lucille Salhany-Polcari: Non-interest bearing loan payable in full within 60 days of termination. . . . .	0.1		0.1	
Ronald Suchodolski: relocation bridge loan. . . . .	0.1		0.1	
	\$ 9.3	\$ 1.7	\$ 1.6	

COL. A	COL. E	
NAME OF DEBTOR	BALANCE AT END OF PERIOD	
	(1) CURRENT	(2) NOT CURRENT
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate . . . . .	0.1	0.6
Lucille Salhany-Polcari: Non-interest bearing loan payable in full within 60 days of termination. . . . .		
Ronald Suchodolski: relocation bridge loan. . . . .		
	\$ 5.7	\$ 3.7

SCHEDULE VII --- GUARANTEES OF SECURITIES OF OTHER ISSUERS

PARAMOUNT COMMUNICATIONS INC.  
 AT APRIL 30, 1993  
 (IN MILLIONS)

COL. A	COL. B	COL. C	COL. F
NAME OF ISSUER OF SECURITIES GUARANTEED BY PERSON FOR WHICH STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED AND OUTSTANDING	NATURE OF GUARANTEE
CBF Fabrics, Inc.	Industrial Revenue Bond	\$ 2.7	Principal and interest
Kayser-Roth Corporation	Secured Notes	1.0	Principal and interest
Simmons Manufacturing Company Inc.	Industrial Revenue Bond	9.7	Principal and interest
Ontario Limited	Revolving Credit	2.4	Principal and interest
Redevelopment Agency of the City of Santa Clara, California	Senior Secured Refunding Notes	39.0	Principal and interest
United Cinemas International	Revolving Credit	87.7	Principal and interest
Cinema International Corporation, N.V.	Revolving Credit	12.4	Principal and interest
		\$ 154.9	

NOTE: Information for Columns D, E, and G is not applicable at April 30, 1993.

SCHEDULE VIII --- VALUATION AND QUALIFYING ACCOUNTS

PARAMOUNT COMMUNICATIONS INC.  
 SIX MONTHS ENDED APRIL 30, 1993 AND THREE YEARS ENDED OCTOBER 31, 1992  
 (IN MILLIONS)

COL. A	COL. B	COL. C	COL. D	COL. E	
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS-- DESCRIBE	BALANCE AT END OF PERIOD
		(1) CHARGED TO COSTS AND EXPENSES	(2) CHARGED TO OTHER ACCOUNTS-- DESCRIBE		
Allowance for doubtful accounts deducted from trade receivables on the balance sheet:					
Six months ended April 30, 1993 . . . . .	\$ 65.5 ----- -----	\$ 8.0 ----- -----	\$ 2.1(A) ----- -----	\$11.5(B) ----- -----	\$64.1 ----- -----
Year ended October 31, 1992 . . . . .	\$ 59.6 ----- -----	\$16.6 ----- -----	\$ 8.9(A) ----- -----	\$19.6(B) ----- -----	\$65.5 ----- -----
Year ended October 31, 1991 . . . . .	\$ 59.8 ----- -----	\$19.4 ----- -----	\$ 4.0(A) ----- -----	\$23.6(B) ----- -----	\$59.6 ----- -----
Year ended October 31, 1990 . . . . .	\$ 56.3 ----- -----	\$10.4 ----- -----	\$ 8.2(A) ----- -----	\$15.1(B) ----- -----	\$59.8 ----- -----

Note A---Represents balance sheet reclassification related to certain entertainment receivables.

Note B---Primarily write-off of uncollectible accounts net of collections of accounts previously written-off.

SCHEDULE X --- SUPPLEMENTARY INCOME STATEMENT INFORMATION

PARAMOUNT COMMUNICATIONS INC.  
 SIX MONTHS ENDED APRIL 30, 1993 AND THREE YEARS ENDED OCTOBER 31, 1992  
 (DOLLARS IN MILLIONS)

COL. A	COL. B			
ITEM	CHARGED TO COSTS AND EXPENSES			
	Six Months Ended April 30	Year Ended October 31		
	1993	1992	1991	1990
Maintenance and repairs . . . . .	\$21.1	\$40.6	\$33.1	\$29.9
Taxes, other than payroll and income taxes . . . . .	16.9	46.8	48.3	40.7
Royalties . . . . .	77.4	171.5	152.0	136.5
Advertising costs . . . . .	250.9	563.3	514.0	495.0

-----  
 Amounts for depreciation and amortization of preoperating costs and similar deferrals are not presented as such amounts do not exceed 1% of revenues.

EXHIBITS INDEX

PARAMOUNT COMMUNICATIONS INC.

- (3)(a) - Restated Certificate of Incorporation and Amendments thereto (Incorporated by reference to Exhibit (4)(i)(A) of Paramount Communications' post-effective amendment No. 3 to the registration statement on Form S-3 No. 2-83427).
- \* (3)(b) - Amended and restated By-laws.
- (4)(a) - Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K as the authorized principal amount on any one of such issues does not exceed 10% of the total assets of Paramount Communications and its subsidiaries on a consolidated basis. Paramount Communications agrees to furnish a copy of each such instrument to the Commission upon request.
- (4)(b) - Shareholder rights agreement dated as of September 7, 1988, as amended, between Paramount Communications Inc. and Chemical Bank, as Rights Agent (Incorporated by reference to Paramount Communications' registration statement on Form 8-A dated September 14, 1988 and to Amendment No. 1 to Form 8-A on Form 8 dated June 8, 1989).
- (10)(ii)(A)(1) - Agreement, dated as of September 9, 1992, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- (10)(ii)(A)(2) - Agreement, dated as of March 17, 1991, between Paramount Pictures Corporation and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(8) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1991).
- +(10)(iii)(A)(1) - Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Martin S. Davis (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- +(10)(iii)(A)(2) - Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1991).

- + (10)(iii)(A)(3) - Amendment, dated as of September 9, 1992, to the Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- + (10)(iii)(A)(4) - Amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(5) - Amendment, dated as of December 21, 1992, to the amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(iii)(A)(5) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(6) - Agreement, dated as of January 12, 1993, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1993).
- + (10)(iii)(A)(7) - Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Donald Oresman (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(8) - Agreement, dated as of September 10, 1992, between Paramount Communications and Earl H. Doppelt (Incorporated by reference to Exhibit (10)(iii)(A)(7) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(9) - Agreement, dated as of September 10, 1992, between Paramount Communications and Rudolph L. Hertlein (Incorporated by reference to Exhibit (10)(iii)(A)(8) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(10) - Agreement, dated as of June 2, 1989, between Paramount Communications and Lawrence E. Levinson (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1989).



- + (10)(iii)(A)(11) - Agreement, dated as of June 2, 1989, between Paramount Communications and Eugene I. Meyers (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1989).
- + (10)(iii)(A)(12) - Agreement, dated as of February 25, 1992, between Paramount Communications and Jerry Sherman (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1992).
- + (10)(iii)(A)(13) - Agreement, dated April 5, 1993, between Paramount Communications and Robert Greenberg (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1993).
- + (10)(iii)(A)(14) - 1992 Stock Option Plan (the "1992 Plan") (Incorporated by reference to Exhibit I of Paramount Communications' Proxy Statement dated January 27, 1992 for the 1992 Annual Meeting of Stockholders).
- + (10)(iii)(A)(15) - 1989 Stock Option Plan, as amended (the "1989 Plan") (Incorporated by reference to Exhibit (10)(iii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1992).
- + (10)(iii)(A)(15)(a) - Form of Stock Option Agreement pursuant to the 1989 Plan--Incentive Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(a) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(15)(b) - Form of Stock Option Agreement pursuant to the 1989 Plan--Nonqualified Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(b) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(16) - 1984 Stock Option Plan, as amended (the "1984 Plan") (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1992).
- + (10)(iii)(A)(16)(a) - Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(a) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).

- + (10)(iii)(A)(16)(b) - Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option with a Stock Appreciation Right (Incorporated by reference to Exhibit (10)(iii)(A)(1)(b) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(16)(c) - Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(c) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(16)(d) - Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option with a Stock Appreciation Right (Incorporated by reference to Exhibit (10)(iii)(A)(1)(d) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(17) - 1973 Key Employees Stock Purchase Plan (Incorporated by reference to Exhibit (10)(c)(i) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended July 31, 1981).
- + (10)(iii)(A)(18) - Amended and Restated Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- + (10)(iii)(A)(19) - Deferred Compensation Plan for Board of Directors (Incorporated by reference to Exhibit (10)(iii)(A)(6) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended July 31, 1984).
- + (10)(iii)(A)(20) - Long-Term Performance Plan, as amended (Incorporated by reference to Exhibit (10)(iii)(A)(6) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(21) - Corporate Annual Performance Plan, as amended (Incorporated by reference to Exhibit (10)(iii)(A)(7) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(22) - Retirement Plan for non-employee directors (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(23) - Non-qualified retirement plan (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1991).

- \* (11) --Computation of Earnings (Loss) per Share.
- \* (22) --List of Subsidiaries.
- \* (24) --Consent of Ernst & Young.
- \* (25) --Powers of Attorney.

- - - - -  
+ This exhibit constitutes a management contract or compensatory plan or arrangement.

\* These exhibits were previously filed as part of this transition report on Form 10-K for the six months ended April 30, 1993.

## EXHIBITS INDEX

## PARAMOUNT COMMUNICATIONS INC.

- (3)(a) - Restated Certificate of Incorporation and Amendments thereto (Incorporated by reference to Exhibit (4)(i)(A) of Paramount Communications' post-effective amendment No. 3 to the registration statement on Form S-3 No. 2-83427).
- \* (3)(b) - Amended and restated By-laws.
- (4)(a) - Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K as the authorized principal amount on any one of such issues does not exceed 10% of the total assets of Paramount Communications and its subsidiaries on a consolidated basis. Paramount Communications agrees to furnish a copy of each such instrument to the Commission upon request.
- (4)(b) - Shareholder rights agreement dated as of September 7, 1988, as amended, between Paramount Communications Inc. and Chemical Bank, as Rights Agent (Incorporated by reference to Paramount Communications' registration statement on Form 8-A dated September 14, 1988 and to Amendment No. 1 to Form 8-A on Form 8 dated June 8, 1989).
- \*\*10(i)(a) - Agreement and Plan of Merger dated as of September 12, 1993 between Viacom Inc. and Paramount Communications Inc.
- \*\*10(i)(b) - Stock Option Agreement dated as of September 12, 1993 between Viacom Inc. and Paramount Communications Inc.
- \*\*10(i)(c) - Voting Agreement dated as of September 12, 1993 between National Amusements, Inc. and Paramount Communications Inc.
- (10)(ii)(A)(1) - Agreement, dated as of September 9, 1992, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- (10)(ii)(A)(2) - Agreement, dated as of March 17, 1991, between Paramount Pictures Corporation and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(8) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1991).
- +(10)(iii)(A)(1) - Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Martin S. Davis (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- +(10)(iii)(A)(2) - Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1991).

- \* (11) --Computation of Earnings (Loss) per Share.
- \* (22) --List of Subsidiaries.
- \* (24) --Consent of Ernst & Young.
- \* (25) --Powers of Attorney.

- - - - -
- + This exhibit constitutes a management contract or compensatory plan or arrangement.
  - \* These exhibits were previously filed as part of this transition report on Form 10-K for the six months ended April 30, 1993.
  - \*\* Filed herewith.

=====
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004
-----

FORM 10-K/A
AMENDMENT NO. 2

(Mark One)

/ / Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

OR

/X/ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from November 1, 1992 to April 30, 1993\*

Commission file number 1-5404

PARAMOUNT COMMUNICATIONS INC.

(Exact name of registrant as specified in its charter)

Delaware 74-1330475
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

15 Columbus Circle, New York, New York 10023-7780
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 212-373-8000

Securities registered pursuant to Section 12(b) of the Act:

Table with 2 columns: Title of each class, Name of each exchange on which registered. Rows include Common Stock, \$1 par value; 7% Subordinated Debentures, Series A due 2003; 7% Subordinated Debentures, Series B due 2003; Common Stock Purchase Rights. All registered on New York Stock Exchange.

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant was approximately \$6.1 billion at August 23, 1993.\*\*

At August 23, 1993, 118,417,196 shares of the registrant's Common Stock, \$1 par value, were outstanding.

\* Paramount Communications Inc. has changed its fiscal year end from October 31 to April 30. This transition report is for the six months ended April 30, 1993.

\*\* Calculated by excluding all shares held by executive officers and directors of registrant without conceding that all such persons are "affiliates" of registrant for purposes of the Federal securities laws.

## PARAMOUNT COMMUNICATIONS INC.

The registrant hereby amends the following items, financial statements, exhibits or other portions of its Transition Report on Form 10-K for the six months ended April 30, 1993, as set forth in the pages attached hereto:

ITEM 6. SELECTED FINANCIAL DATA.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by Item 6 is found on page F-3; Item 7 is found on pages F-6 through F-11 and Item 8 is found on pages F-4 through F-27, exclusive of pages F-6 through F-11.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements--See index to financial statements on Page F-1.

2. Financial Statement Schedules Index:

Report of Independent Auditors

Schedule I -- Marketable Securities--Other Investments

Schedule II -- Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other Than Related Parties

Schedule VII -- Guarantees of Securities of Other Issuers

Schedule VIII -- Valuation and Qualifying Accounts

Schedule X -- Supplementary Income Statement Information

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is included in the financial statements or in the notes to financial statements or is not significant.

The above listed financial statement schedules were previously filed as part of this Transition Report on Form 10-K for the six months ended April 30, 1993, as amended.

3. Exhibits--

(3)(a) --Restated Certificate of Incorporation and Amendments thereto (Incorporated by reference to Exhibit (4)(i)(A) of Paramount Communications' post-effective amendment No. 3 to the registration statement on Form S-3 No. 2-83427).

\* (3)(b) --Amended and restated By-laws.

- (4)(a) --Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K as the authorized principal amount on any one of such issues does not exceed 10% of the total assets of Paramount Communications and its subsidiaries on a consolidated basis. Paramount Communications agrees to furnish a copy of each such instrument to the Commission upon request.
- (4)(b) --Shareholder rights agreement dated as of September 7, 1988, as amended, between Paramount Communications Inc. and Chemical Bank, as Rights Agent (Incorporated by reference to Paramount Communications' registration statement on Form 8-A dated September 14, 1988 and to Amendment No. 1 to Form 8-A on Form 8 dated June 8, 1989).
- \*~~(10)~~(i)(a) --Agreement and Plan of Merger dated as of September 12, 1993 between Viacom Inc. and Paramount Communications Inc.
- \*~~(10)~~(i)(b) --Stock Option Agreement dated as of September 12, 1993 between Viacom Inc. and Paramount Communications Inc.
- \*~~(10)~~(i)(c) --Voting Agreement dated as of September 12, 1993 between National Amusements, Inc. and Paramount Communications Inc.
- (~~10~~)(ii)(A)(1) --Agreement, dated as of September 9, 1992, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (~~10~~)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- (~~10~~)(ii)(A)(2) --Agreement, dated as of March 17, 1991, between Paramount Pictures Corporation and Stanley R. Jaffe (Incorporated by reference to Exhibit (~~10~~)(ii)(A)(8) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1991).
- +~~(10)~~(iii)(A)(1) --Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Martin S. Davis (Incorporated by reference to Exhibit (~~10~~)(ii)(A)(1) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- +~~(10)~~(iii)(A)(2) --Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (~~10~~)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1991).



- + (10)(iii)(A)(3) --Amendment, dated as of September 9, 1992, to the Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- + (10)(iii)(A)(4) --Amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(5) --Amendment, dated as of December 21, 1992, to the amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(iii)(A)(5) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(6) --Agreement, dated as of January 12, 1993, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1993).
- + (10)(iii)(A)(7) --Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Donald Oresman (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(8) --Agreement, dated as of September 10, 1992, between Paramount Communications and Earl H. Doppelt (Incorporated by reference to Exhibit (10)(iii)(A)(7) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(9) --Agreement, dated as of September 10, 1992, between Paramount Communications and Rudolph L. Hertlein (Incorporated by reference to Exhibit (10)(iii)(A)(8) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(10) --Agreement, dated as of June 2, 1989, between Paramount Communications and Lawrence E. Levinson (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1989).

- + (10)(iii)(A)(11) --Agreement, dated as of June 2, 1989, between Paramount Communications and Eugene I. Meyers (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1989).
- + (10)(iii)(A)(12) --Agreement, dated as of February 25, 1992, between Paramount Communications and Jerry Sherman (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1992).
- + (10)(iii)(A)(13) --Agreement, dated April 5, 1993, between Paramount Communications and Robert Greenberg (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1993).
- + (10)(iii)(A)(14) --1992 Stock Option Plan (the "1992 Plan") (Incorporated by reference to Exhibit I of Paramount Communications' Proxy Statement dated January 27, 1992 for the 1992 Annual Meeting of Stockholders).
- + (10)(iii)(A)(15) --1989 Stock Option Plan, as amended (the "1989 Plan") (Incorporated by reference to Exhibit (10)(iii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1992).
- + (10)(iii)(A)(15)(a) --Form of Stock Option Agreement pursuant to the 1989 Plan--Incentive Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(a) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(15)(b) --Form of Stock Option Agreement pursuant to the 1989 Plan--Nonqualified Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(b) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(16) --1984 Stock Option Plan, as amended (the "1984 Plan") (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1992).
- + (10)(iii)(A)(16)(a) --Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(a) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).

- + (10)(iii)(A)(16)(b) --Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option with a Stock Appreciation Right (Incorporated by reference to Exhibit (10)(iii)(A)(1)(b) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(16)(c) --Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(c) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(16)(d) --Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option with a Stock Appreciation Right (Incorporated by reference to Exhibit (10)(iii)(A)(1)(d) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(17) --1973 Key Employees Stock Purchase Plan (Incorporated by reference to Exhibit (10)(c)(i) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended July 31, 1981).
- + (10)(iii)(A)(18) --Amended and Restated Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- + (10)(iii)(A)(19) --Deferred Compensation Plan for Board of Directors (Incorporated by reference to Exhibit (10)(iii)(A)(6) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended July 31, 1984).
- + (10)(iii)(A)(20) --Long-Term Performance Plan, as amended (Incorporated by reference to Exhibit (10)(iii)(A)(6) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(21) --Corporate Annual Performance Plan, as amended (Incorporated by reference to Exhibit (10)(iii)(A)(7) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(22) --Retirement Plan for non-employee directors (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(23) --Non-qualified retirement plan (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1991).

- \*\* (11) --Computation of Earnings (Loss) per Share.
- \* (22) --List of Subsidiaries.
- \*\* (24) --Consent of Ernst & Young.
- \* (25) --Powers of Attorney.

(b) Registrant filed no reports on Form 8-K during the period covered by this report.

- - - - -

- \* These exhibits were previously filed as part of this Transition Report on Form 10-K for the six months ended April 30, 1993, as amended.
- \*\* Filed herewith.
- + This exhibit constitutes a management contract or compensatory plan or arrangement.

SIGNATURES

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

PARAMOUNT COMMUNICATIONS INC.

Date: September 30, 1993

By /s/: RONALD L. NELSON

-----  
Ronald L. Nelson  
Executive Vice President and  
Chief Financial Officer

## FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors  
Paramount Communications Inc.

We have audited the accompanying consolidated balance sheet of Paramount Communications Inc. as of April 30, 1993 and October 31, 1992 and 1991, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for the six-month period ended April 30, 1993 and for each of the three years in the period ended October 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paramount Communications Inc. at April 30, 1993 and October 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for the six-month period ended April 30, 1993 and for each of the three years in the period ended October 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Notes A and J, in the six-month period ended April 30, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." As discussed in Notes A and I, effective May 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes."

Ernst & Young

New York, New York  
August 27, 1993,  
except for Notes A and I, as to which the date is  
September 10, 1993

## SELECTED FINANCIAL DATA

The table below summarizes recent financial information for Paramount Communications. For further information, refer to the audited financial statements and the notes thereto contained elsewhere herein.

	Six Months Ended or at April 30		Year Ended or at October 31				
	1993	1992	1992	1991	1990	1989	1988
	(Unaudited)						
	(Dollar amounts in millions, except per share)						
Revenues	\$ 1,898.1	\$ 1,998.5	\$ 4,264.9	\$ 3,895.4	\$ 3,869.0	\$ 3,391.6	\$ 3,055.9
Earnings (loss) from continuing operations before income taxes	(16.8)	68.7	397.3	179.7	381.0	19.1	268.7
Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	(9.1)	48.7	274.2	127.6	264.4	17.3	152.8
Discontinued operations						1,453.9	231.9
Extraordinary item			(8.8)				
Cumulative effect of accounting changes	(66.9)					(56.5)	
Net earnings (loss)	(76.0)	48.7	265.4	127.6	264.4	1,414.7	384.7
Earnings (loss) per share							
Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	(.08)	.41	2.31	1.08	2.20	.14	1.27
Discontinued operations						12.12	1.94
Extraordinary item			(.08)				
Cumulative effect of accounting changes	(.57)					(.48)	
Net earnings (loss)	(.65)	.41	2.23	1.08	2.20	11.78	3.21
Cash dividends declared per common share	.40	.375	.775	.70	.70	.70	.675
Working capital	1,461.6		1,864.8	2,141.8	2,119.0	2,787.3	1,066.4
Total assets	6,874.8		7,057.0	6,654.7	6,541.0	7,060.0	5,378.1
Current maturities of long-term debt	109.8		10.0	198.3	21.7	20.6	117.2
Long-term debt, net of current maturities	707.3		812.1	519.9	712.1	723.8	1,390.3
Stockholders' equity	3,902.1		4,015.5	3,854.8	3,783.8	3,666.8	2,266.2
Book value per common share	33.01		34.19	32.73	32.24	30.56	19.50
Capital expenditures (including capitalized leases)	55.9		120.0	172.9	187.9	94.2	64.8
Number of common stockholders	26,000		26,000	29,000	30,000	30,000	31,000

Reference is made to Note A to the consolidated financial statements for a description of the accounting changes.

## CONSOLIDATED STATEMENT OF EARNINGS

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)				
	(In millions, except per share)				
REVENUES	\$ 1,898.1	\$ 1,998.5	\$ 4,264.9	\$ 3,895.4	\$ 3,869.0
Cost of goods sold	1,286.8	1,383.1	2,739.8	2,638.7	2,542.6
Selling, general and administrative expenses	621.4	537.6	1,129.0	1,098.9	1,022.2
	1,908.2	1,920.7	3,868.8	3,737.6	3,564.8
OPERATING INCOME (LOSS)	(10.1)	77.8	396.1	157.8	304.2
Other income (expense) - Note C	(3.7)	(6.6)	(6.6)	0.1	(2.0)
Interest and other investment income (expense) - net - Note K					
Interest expense	(47.9)	(59.8)	(113.8)	(112.0)	(123.9)
Interest and other investment income	44.9	57.3	121.6	133.8	202.7
	(3.0)	(2.5)	7.8	21.8	78.8
EARNINGS (LOSS) BEFORE INCOME TAXES	(16.8)	68.7	397.3	179.7	381.0
Provision (benefit) for income taxes - Notes A and I	(7.7)	20.0	123.1	52.1	116.6
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(9.1)	48.7	274.2	127.6	264.4
Extraordinary item - Note D			(8.8)		
Cumulative effect of accounting change - Note A	(66.9)				
NET EARNINGS (LOSS)	\$ (76.0)	\$ 48.7	\$ 265.4	\$ 127.6	\$ 264.4
Average common and common equivalent shares outstanding - Note A	118.8	119.0	119.2	118.5	120.1
Earnings (loss) per share - Note A					
Earnings (loss) before extraordinary item and cumulative effect of accounting change	\$ (.08)	\$ .41	\$ 2.31	\$ 1.08	\$ 2.20
Net earnings (loss)	(.65)	.41	2.23	1.08	2.20

See notes to consolidated financial statements.



## FINANCIAL REPORTING BY BUSINESS SEGMENTS

A summary description of the Company's business segments is as follows. See Note M for additional disclosures related to business segments.

## ENTERTAINMENT

Produces, finances and distributes motion pictures, television programming and prerecorded videocassettes and operates motion picture theaters, independent television stations, sports and entertainment facilities and regional theme parks.

## PUBLISHING

Publishes and distributes hardcover and paperback books, educational textbooks and materials, and provides information services for business and professions.

## REVENUES AND OPERATING INCOME (LOSS)

	Revenues				
	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
		(Unaudited)			
			(In millions)		
Business Segments					
Entertainment	\$ 1,280.8	\$ 1,408.3	\$ 2,657.4	\$ 2,380.2	\$ 2,446.7
Publishing	617.3	590.2	1,607.5	1,515.2	1,422.3
Total	\$ 1,898.1	\$ 1,998.5	\$ 4,264.9	\$ 3,895.4	\$ 3,869.0

	Operating Income (Loss)				
	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
		(Unaudited)			
			(In millions)		
Business Segments					
Entertainment	\$ 121.9	\$ 164.9	\$ 279.6	\$ 66.2	\$ 212.5
Publishing	(90.9)	(55.0)	182.0	156.2	155.5
Total	31.0	109.9	461.6	222.4	368.0
Corporate Expenses	(41.1)	(32.1)	(65.5)	(64.6)	(63.8)
	\$ (10.1)	\$ 77.8	\$ 396.1	\$ 157.8	\$ 304.2

During the six months ended April 30, 1993, the Company recorded a \$35-million and a \$5-million charge, respectively, against Publishing's operating loss and Corporate Expenses and during the year ended October 31, 1991, recorded a \$52-million charge against Entertainment's operating income. For further details related to these charges see Management's Discussion and Analysis.

Revenues by business segment include revenues that are directly associated with a particular segment. Revenues between business segments (amounts are insignificant), which are accounted for on substantially the same basis as revenues from unaffiliated customers, have been eliminated. No single customer accounts for 10% or more of consolidated revenues.

Export sales to unaffiliated customers were \$290.7, \$336.4 (unaudited), \$606.8, \$690.7 and \$609.2 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990. These sales were principally made in Europe, Asia and Canada.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## RESULTS OF OPERATIONS

## Entertainment

## Six Months 1993 versus 1992

Operating income decreased for the six months ended April 30, 1993, compared with the prior-year period. Theatrical results declined in the current-year period primarily because of the release of fewer profitable pictures. Theatrical results for the six months ended April 30, 1993, included higher feature write-downs, primarily related to the releases of Leap of Faith, Jennifer Eight and The Temp, which more than offset contributions from the international box office performances of Patriot Games and Boomerang. Theatrical results also decreased in the current period due to the absence of recognition of a one-time payment received in the prior-year period in connection with the signing of a long-term film processing agreement, and from higher scenario reserves.

Home video operations registered lower profits in the current-year period, despite strong contributions from domestic and foreign videocassette sales of Patriot Games and Boomerang, and the continued international success of Ghost. Pay cable results decreased for the current six-month period because strong contributions from the availability of The Addams Family and Wayne's World were more than offset by the absence of recognition of additional license fees recorded in the prior-year six-month period for films made available in prior periods. Operating income from network features rose because of the availability of more profitable titles. Income from domestic and international features syndication increased in the current-year period because of higher revenues along with a more profitable mix of titles.

Television programming operations increased significantly in the current-year period. Profits from network series rose because of higher revenues for Cheers and the domestic licensing of Wings to USA Network. Income from first-run syndication increased; higher profits from Star Trek: The Next Generation and Entertainment Tonight, along with contributions from Star Trek: Deep Space Nine and Hard Copy, were partially offset by lower income from The Arsenio Hall Show. In addition, the current-year period reflects higher income from library products, principally Star Trek, as well as from television movies-of-the-week.

Paramount Stations Group registered higher profits, principally due to higher revenues. At USA Networks (jointly owned with MCA Inc.), operating income declined primarily because of start-up costs incurred for the Sci-Fi Channel.

Theatrical exhibition profits increased in the current-year period. International theater operations recorded higher profits primarily because of increased attendance levels, principally from operations in Europe. Operating income at Famous Players, the Company's Canadian chain, declined in the current six-month period. At Cinamerica, the Company's 50%-owned domestic theater operation (jointly owned with Time Warner Inc.), operating income for the six months equaled the prior year.

Operating income for Madison Square Garden decreased in the current-year period primarily due to lower results from the Rangers, where higher team compensation, the absence of playoff income and the absence of league expansion revenues recorded in the prior-year period, more than offset higher income from regular season ticket sales. Results at MSG Network declined because of higher programming and operating expenses. These results were partially offset by higher income from the Knickerbockers and lower operating expenses.

Results for the current period include modest seasonal losses from Paramount Parks, the Company's theme park operations, which were acquired in the fourth quarter of fiscal 1992. Paramount Parks' operating season began in late March 1993.

## Fiscal 1992 versus Fiscal 1991

Operating income increased in fiscal 1992 compared with fiscal 1991. Results for the prior year included a \$52-million 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. Theatrical results for the current year increased significantly from those achieved in the prior year, primarily attributable to lower feature write-downs, the strong domestic box office performance of Wayne's World, The Addams Family, Star Trek VI: The Undiscovered Country and Patriot Games, as well as the success of The Naked Gun 2 1/2: The Smell of Fear in foreign markets. Fiscal 1992 theatrical results also benefited from lower scenario reserves as well as a payment received in connection with the signing of a long-term film processing agreement.

Home video operations registered higher profits in the current year, benefiting from the release of Wayne's World and The Addams Family in the domestic videocassette market, sales of Ghost in the international videocassette market and The Naked Gun 2 1/2: The Smell of Fear in the domestic and foreign markets. Pay cable profitability increased significantly in

## MANAGEMENT'S DISCUSSION AND ANALYSIS

fiscal 1992 principally because of the recognition of additional license fees for films made available in prior periods. Operating income from network features increased slightly in the current year, led by the availability of Indiana Jones and The Last Crusade. Domestic and international features syndication posted increased profits over the prior year because of higher revenues on titles available for showing.

Television programming operations were up sharply in fiscal 1992 from the prior year. In first-run syndication, higher profits from Star Trek: The Next Generation and Entertainment Tonight as well as contributions from Hard Copy and The Maury Povich Show were partially offset by lower income from The Arsenio Hall Show. Network series results declined reflecting lower Cheers syndication renewal sales and increased investments in new programming. Television product also benefited from increased syndication and licensing revenues from library products, principally Star Trek.

Paramount Stations Group registered lower profits, primarily stemming from higher programming costs occasioned by the use of more conservative film amortization assumptions, which were partially offset by increased revenues. Profits were higher at USA Networks because of higher advertising and affiliate revenues at USA Network, which were partially offset by start-up costs incurred for the Sci-Fi Channel.

Theatrical exhibition profits declined primarily because of lower results at Cinamerica stemming principally from lower attendance levels. Additionally, results at Famous Players declined slightly. These results were partially offset by increased profits at international theater operations which benefited from continued circuit expansion, higher average admission and concession prices and increased attendance levels.

Madison Square Garden registered operating income in fiscal 1992 compared with an operating loss in fiscal 1991. Results at MSG Network benefited from increased affiliate and advertising sales, which were partially offset by increases in programming and production costs. Results for the Knickerbockers were up primarily because of higher ticket sales, increased licensing and promotional revenues and higher income from playoff games, which were partially offset by higher operating expenses. The Rangers registered lower profits; increased team compensation and higher operating expenses more than offset higher income from ticket sales and playoff games and increased expansion revenues. Madison Square Garden's results for fiscal 1992 include higher suite license and concession income, improved results from SRO/Pace, income from The Democratic National Convention and events at The Paramount, along with lower operating expenses.

Results for the current year reflect contributions from Kings Entertainment Company and Kings Island Company, later renamed Paramount Parks, which were acquired in August and October 1992, respectively.

## Fiscal 1991 versus Fiscal 1990

Operating income decreased in fiscal 1991 compared with fiscal 1990. Results for fiscal 1991 included the \$52-million charge described above. Theatrical results for fiscal 1991 decreased from those achieved in the prior year because of a less profitable product flow combined with an increase in feature write-downs, primarily related to the release of Flight of the Intruder, Frankie and Johnny, Almost An Angel, The Butcher's Wife and The Godfather Part III. However, theatrical results benefited from the international box office performance and continued domestic success of Ghost, the release of The Naked Gun 2 1/2: The Smell of Fear in domestic and foreign theatrical markets and lower scenario reserves.

Home video operations registered higher profits, benefiting from strong videocassette sales of Ghost, The Hunt for Red October and Another 48 HRS. in both domestic and foreign markets. Pay cable profits decreased because of a less profitable mix of available titles. Profits from domestic and international features syndication declined because of lower revenues and lower average profit rates on titles available for showing. Profits from the sale of features to network television declined. Results also include expenses related to a direct satellite pay-per-view service, in which the Company had an investment in fiscal 1991.

Income from television product declined principally because of lower syndication sales of library products. Strong gains from the renewal of Cheers in syndication markets were partially offset by lower income from Dear John and MacGyver. In first-run syndication, Entertainment Tonight and Star Trek: The Next Generation posted higher profits while income from The Arsenio Hall Show was lower.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal 1991 results reflect the consolidation of a full twelve months of operations versus six months in the prior year of the Paramount Stations Group (formerly TVX Broadcast Group Inc.), which was carried on an equity basis prior to May 1990. Profits at USA Network rose because of higher advertising and affiliate revenues and settlement of outstanding litigation.

Theatrical exhibition operations registered lower earnings. Results at Famous Players declined primarily because of lower attendance levels and average admission prices partially offset by lower film rental costs. International theater operations posted lower results because of the absence of gains recorded in the prior year on the sale of other theater interests as well as operating losses in the current year attributable to the start-up of operations in Germany. However, these operations benefited from the continued expansion of operations in the United Kingdom. Cinamerica recorded increased profits because of higher average admission and concession prices, lower film rental and operating costs and a gain on the sale of theaters.

Madison Square Garden experienced an operating loss in fiscal 1991 compared with operating income in fiscal 1990. Affiliate and advertising sales rose at MSG Network, but were more than offset by higher programming and operating costs. The Knickerbockers registered lower profits; increased team compensation, the absence of league expansion revenues recorded in the prior year, higher operating expenses and lower playoff income were partially offset by increased broadcast revenues and ticket sales. The Rangers posted improved profits. League expansion revenues and higher ticket sales were partially offset by increased team compensation, higher operating expenses and lower playoff income. Madison Square Garden's results include higher suite license income, but were negatively impacted by lower results from SRO/Pace, pre-opening advertising and promotional expenses for the renovated Madison Square Garden facility and higher operating expenses.

## Publishing

## Six Months 1993 versus 1992

Publishing operations, which traditionally record profits in the quarters ended July 31 and October 31, posted higher operating losses for the six months ended April 30, 1993, compared with the prior-year period. The current-year period includes a \$35-million charge, related to the write-down of certain real estate sites, expected to be sold, to fair value and relocation costs for several operating sites. Consumer publishing posted significantly higher operating results in the current year period. Stronger frontlist and backlist sales of hardcover titles and increased international sales along with increased frontlist paperback sales, were partially offset by lower sales of children's books and increased product support and development expenses. In addition, the current six-month period was impacted by lower backlist sales of certain reference books and increased operating expenses.

Operating income in the business, technical and professional group approximated the comparable year-earlier period. Increased sales of computer titles, multimedia programs and medical publications were partially offset by lower tax software and professional service revenues and increased product support and development and operating expenses.

Seasonal operating losses at elementary education were higher in the current-year period. Lower sales of prior years' programs and fewer new product releases combined with increased product support expenses due to the acceleration of promotional spending and higher operating expenses, were partially offset by increased sales of computer learning stations. Additionally, product development expenses in elementary education were lower in the current six months. Secondary education operating losses increased in the current-year period; higher sales from social studies programs were more than offset by higher product support expenses attributable to increased state adoption opportunities and decreased sales in mathematics, science and language arts programs. Higher education's operating income decreased slightly in the six-month period. Increased sales of vocational books from the success of new editions and frontlist sales of college texts were more than offset by increased product support and development expenses. Results of international operations declined slightly in the current six-month period; increased sales at all units were more than offset in the current six months by higher expenses. Additionally, publishing operations benefited from lower corporate administrative expenses.

## Fiscal 1992 versus Fiscal 1991

Operating income increased in fiscal 1992 compared with fiscal 1991. Consumer publishing posted increased operating income primarily because of a stronger publishing program of

## MANAGEMENT'S DISCUSSION AND ANALYSIS

paperback books which resulted in higher sales of initial releases and reorders, combined with stronger frontlist and reorder sales and a greater number of bestsellers for hardcover titles and higher sales of certain reference titles.

Business, technical and professional group operating income increased significantly in the current year. The improved results are primarily attributable to contributions from recently acquired Prentice Hall Computer Publishing.

Operating income declined at elementary education as decreased sales of textbooks, principally due to fewer adoption opportunities, reduced funding at the local and state levels and lower sales of prior years' programs, as well as reduced sales from educational film and video products, were partially offset by sales increases on volume growth of learning stations and increased frontlist sales of workbooks and kits. In addition, fiscal 1992 benefited from lower product support and development and operating expenses, despite expansion costs incurred in anticipation of planned growth at Computer Curriculum Corporation. Secondary education operating income increased in the current year because of lower expenses across all categories, partially offset by decreased sales principally due to fewer adoption opportunities. Profits at higher education rose in the current year; strong sales gains from college books, reflecting the effect of volume improvements, and vocational publications were partially offset by higher product support and development expenses. Results of international operations improved in the current year primarily because of sales gains from acquired Prentice Hall Computer Publishing titles as well as volume improvements of locally produced products, partially offset by increased product support and development and operating expenses incurred to service and promote the new products. Additionally, publishing operations reflect higher corporate administrative expenses.

## Fiscal 1991 versus Fiscal 1990

Operating income increased slightly in fiscal 1991 compared with fiscal 1990. Consumer publishing registered lower profits. Higher sales of paperback reorders and initial releases and a strong frontlist performance of hardcover titles were more than offset by a corresponding increase in revenue-related expenses, primarily operating and product development expenses and lower distribution fees.

Results for the business, technical and professional group declined. Lower software license and service fees and lower sales resulting from the timing of the release of 1991 annual editions, combined with higher operating and product development expenses were partially offset by lower product support expenses primarily at professional publishing and increased subscription sales at Bureau of Business Practice.

Elementary education group operating income declined; strong sales of current-year programs, primarily math, science, social studies and reading along with the inclusion of a full twelve months of operations versus eight months in the prior year from Computer Curriculum Corporation, which was acquired in March 1990, were more than offset by increased product support and development and operating expenses, due in part to expansion costs at Computer Curriculum Corporation incurred in anticipation of planned growth, along with lower profits from the group's educational film and video operations. Operating income in secondary education declined slightly as higher expenses across all categories more than offset sales gains in language arts and social studies due to increased state adoptions. Higher education posted improved profits on sales gains stemming principally from college books and vocational publications. Profits from international operations decreased slightly; higher educational sales, primarily from the United Kingdom, Asia, Australia and Mexico were more than offset by higher product support and development expenses and lower Canadian trade sales. Additionally, publishing operations reflect lower corporate administrative expenses.

## Interest and Other Investment Income

(Expense) - Net

Net interest and other investment expense increased slightly in the current six months ended April 30, 1993, compared with the same prior-year period. The current six-month period benefited from lower interest expense primarily because lower average effective interest rates on the Company's debt more than offset the effect of higher average debt outstanding. Interest and other investment income declined in the current six-month period due to lower average cash equivalents and short-term investments. The lower average cash equivalents and short-term investments were primarily a

## MANAGEMENT'S DISCUSSION AND ANALYSIS

result of acquisitions, the repurchase of shares of the Company's Common Stock and the funding of the working capital requirements of the Company.

In addition to the results of the operating units, earnings reflect lower net interest and other investment income for the year ended October 31, 1992 compared with 1991, and 1991 compared with 1990. These decreases stem from lower average cash equivalents, short-term investments and interest rates. The lower average cash equivalents and short-term investments were primarily a result of expenditures for acquisitions, the repurchase of shares of the Company's Common Stock and the funding of the working capital requirements of the Company, and in 1991, because of a March 1990 income tax payment related to the October 1989 sale of Associates First Capital Corporation, the Company's former consumer/commercial finance business, and a reduction of outstanding debt.

## Other

The pre-tax loss of \$16.8 million in the six months ended April 30, 1993 gives rise to an income tax benefit at an effective rate of 45.8%. For the comparable prior year period, the effective rate for income taxes on pre-tax earnings of \$68.7 million was 29.1%. The increase in the effective rate is the result of less income subject to tax at lower foreign rates, increases in income subject to state and local income taxes and the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Corporate expenses include a \$5-million charge in the current six-month period in connection with the Company's planned relocation of its corporate headquarters.

## LIQUIDITY AND CAPITAL RESOURCES

The Company depended primarily on internal cash flow and external borrowings to finance its operations during the six months ended April 30, 1993, and expects to continue to do so.

In May 1993, the Company purchased the remaining 80% it did not own of Canada's Wonderland, Inc., a Canadian theme park, for approximately \$52 million. The Company subsequently liquidated Canada's Wonderland debt obligations of approximately \$31 million. In June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. (IA) for common stock, debt, preferred stock, common stock warrants and options. The transaction is subject to approval by IA's shareholders. In September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million.

In May 1993, the Company called for redemption on July 1, 1993, \$100 million of 8 1/2% senior notes due 1996. In July 1993, the Company completed a public offering of \$150 million of 5 7/8% senior notes due 2000 and \$150 million of 7 1/2% senior debentures due 2023. A portion of the net proceeds was used to refinance the previously mentioned redemption of the Company's 8 1/2% senior notes. The remainder of such proceeds were used to fund the acquisitions of television station WKBD-TV in Detroit and the remaining 80% interest in Canada's Wonderland theme park. During the current six-month period, the Company purchased 0.6 million shares of its Common Stock under a 10-million share repurchase program announced in May 1988, leaving 2.6 million remaining shares authorized under the program. Total debt as a percentage of total capitalization was 17% at April 30, 1993 and October 31, 1992. In the past, the Company has been able to increase its borrowings as required and expects to be able to continue to do so.

Capital expenditures amounted to \$56, \$69, \$120, \$168 and \$187 million for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Accounting Changes

Effective November 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Company's previous practice was to recognize the cost of such postretirement benefits when paid.

The Company 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, or \$.57 per share. For further detail, see Notes A and J to the consolidated financial statements.

In February 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to decrease the loss before cumulative effect of accounting change and net loss by \$1.8 million (\$.01 per share) for the six months ended April 30, 1993; increase earnings before extraordinary item and net earnings by \$4.0 million (\$.04 per share) for the year ended October 31, 1992; and, increase net earnings by \$5.4 million (\$.05 per share), \$5.3 million (\$.04 per share) and \$2.0 million (\$.02 per share) for the years ended October 31, 1991 and 1990 and the six months ended April 30, 1992, respectively. The cumulative effect of adopting SFAS No. 109 as of October 31, 1989, decreased the beginning balance of 1990's retained earnings by \$50.7 million.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated. For further detail, see Notes A and I to the consolidated financial statements.

## Effects of Accounting for

## Postemployment Benefits

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which is effective for the Company in the year ending April 30, 1995. Under this statement, the cost of benefits provided to employees after employment but before retirement is to be recognized in the financial statements on an accrual basis during the service period of the employee. It is expected that implementation of this statement will not have a material impact on the financial position of the Company.

## Accounting for Certain Investments in

## Debt and Equity Securities

In May 1993, the Financial Accounting Standards Board issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which is effective for the Company in the year ending April 30, 1995. This statement sets forth the accounting for certain investments in debt and equity securities based upon management's ability and intent, at the time of purchase, to trade, hold to maturity or make available for sale such investments. The effect of this statement at the time of adoption will depend upon the Company's intent with respect to such investments.

## CONSOLIDATED BALANCE SHEET

	April 30	October 31	
	1993	1992	1991
	(In millions)		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents - Notes A and L	\$ 372.6	\$ 324.3	\$ 555.3
Short-term investments - Notes A and L	569.7	912.0	1,020.7
Trade receivables - net - Note K	829.6	972.9	904.1
Inventories - Notes A and E	617.3	580.2	590.4
Prepaid income taxes	131.7	139.7	115.4
Prepaid expenses and other - Note K	400.2	342.7	407.9
	-----	-----	-----
<b>Total Current Assets</b>	<b>2,921.1</b>	<b>3,271.8</b>	<b>3,593.8</b>
<b>Property, Plant and Equipment - Note A</b>			
Land	210.8	210.4	130.8
Buildings	591.4	590.6	537.3
Machinery, equipment and other	606.9	573.8	358.2
	-----	-----	-----
	1,409.1	1,374.8	1,026.3
Less allowance for depreciation	336.1	315.5	268.2
	-----	-----	-----
	1,073.0	1,059.3	758.1
<b>Other Assets</b>			
Investment in affiliated companies - Notes A and F	243.9	228.9	204.4
Noncurrent receivables and inventories - Notes A and E	689.8	604.7	483.0
Intangible assets - net - Note A	1,517.5	1,528.1	1,239.3
Deferred costs and other - Note A	429.5	364.2	376.1
	-----	-----	-----
	2,880.7	2,725.9	2,302.8
	-----	-----	-----
	<b>\$ 6,874.8</b>	<b>\$ 7,057.0</b>	<b>\$ 6,654.7</b>
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 109.8	\$ 10.0	\$ 198.3
Trade accounts payable	194.7	143.7	119.8
Income taxes payable	26.6	139.2	131.4
Accrued expenses and other - Notes K and L	1,128.4	1,114.1	1,002.5
	-----	-----	-----
<b>Total Current Liabilities</b>	<b>1,459.5</b>	<b>1,407.0</b>	<b>1,452.0</b>
Deferred Liabilities - Note K	805.9	822.4	828.0
Long-Term Debt, net of current maturities - Notes A, G and L	707.3	812.1	519.9
<b>Stockholders' Equity - Note H</b>			
Common Stock, recorded at \$1.00 par value; 600,000,000 shares authorized; shares outstanding, 118,199,396 at April 30, 1993 (excluding 29,665,980 shares held in treasury), 117,459,926 at October 31, 1992 (excluding 30,405,450 shares held in treasury) and 117,757,018 at October 31, 1991 (excluding 30,108,358 shares held in treasury)	118.2	117.5	117.8
Paid-in surplus	712.8	665.7	629.5
Retained earnings - Notes A, F and I	3,082.5	3,228.6	3,096.4
Cumulative translation adjustments	(11.4)	3.7	11.1
	-----	-----	-----
	3,902.1	4,015.5	3,854.8
	-----	-----	-----
	<b>\$ 6,874.8</b>	<b>\$ 7,057.0</b>	<b>\$ 6,654.7</b>
	=====	=====	=====

See notes to consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Three Years and Six Months Ended April 30, 1993				
	Common Stock	Paid-in Surplus	Retained Earnings	Cumulative Translation Adjustments	Total Stockholders' Equity
	(In millions)				
BALANCE AT OCTOBER 31, 1989, net of treasury - as reported	\$ 120.0	\$ 539.0	\$ 3,054.7	\$ 3.8	\$ 3,717.5
Cumulative effect of accounting change - Note A			(50.7)		(50.7)
BALANCE AT OCTOBER 31, 1989, net of treasury - as adjusted	120.0	539.0	3,004.0	3.8	3,666.8
Common Stock issued					
Exercise of stock options and grants to employees	0.4	37.6			38.0
Dividend reinvestment and stock purchase plan	0.1	3.1			3.2
Acquisition of stock for the treasury	(3.1)	(14.6)	(110.0)		(127.7)
Common Stock dividends (\$.70 per share)			(83.4)		(83.4)
Translation adjustments				11.7	11.7
Tax benefit from exercise of stock options		10.8			10.8
Net earnings for the year			264.4		264.4
BALANCE AT OCTOBER 31, 1990, net of treasury	117.4	575.9	3,075.0	15.5	3,783.8
Common Stock issued					
Exercise of stock options and grants to employees	1.0	51.8			52.8
Dividend reinvestment and stock purchase plan	0.1	3.3			3.4
Acquisition of stock for the treasury	(0.7)	(3.7)	(23.8)		(28.2)
Common Stock dividends (\$.70 per share)			(82.4)		(82.4)
Translation adjustments				(4.4)	(4.4)
Tax benefit from exercise of stock options		2.2			2.2
Net earnings for the year			127.6		127.6
BALANCE AT OCTOBER 31, 1991, net of treasury	117.8	629.5	3,096.4	11.1	3,854.8
Common Stock issued					
Exercise of stock options and grants to employees	0.7	38.1			38.8
Dividend reinvestment and stock purchase plan	0.1	3.6			3.7
Acquisition of stock for the treasury	(1.1)	(6.4)	(41.7)		(49.2)
Common Stock dividends (\$.775 per share)			(91.5)		(91.5)
Translation adjustments				(7.4)	(7.4)
Tax benefit from exercise of stock options		0.9			0.9
Net earnings for the year			265.4		265.4
BALANCE AT OCTOBER 31, 1992, net of treasury	117.5	665.7	3,228.6	3.7	4,015.5
Common Stock issued					
Exercise of stock options and grants to employees	1.3	41.6			42.9
Dividend reinvestment and stock purchase plan		1.9			1.9
Acquisition of stock for the treasury	(0.6)	(3.5)	(22.9)		(27.0)
Common Stock dividends (\$.40 per share)			(47.2)		(47.2)
Translation adjustments				(15.1)	(15.1)
Tax benefit from exercise of stock options		7.1			7.1
Net loss for the six months ended April 30, 1993			(76.0)		(76.0)
BALANCE AT APRIL 30, 1993, net of treasury	\$ 118.2	\$ 712.8	\$ 3,082.5	\$ (11.4)	\$ 3,902.1

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)		(In millions)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Earnings (loss) before extraordinary item and cumulative effect of accounting change	\$ (9.1)	\$ 48.7	\$ 274.2	\$ 127.6	\$ 264.4
Non-cash expenses					
Depreciation	37.1	35.2	71.7	59.1	45.8
Deferred income taxes	28.9	1.0	(3.2)	(37.5)	23.1
Amortization of intangible assets	4.3	4.0	44.4	39.2	33.6
Amortization of pre-publication costs	24.0	23.5	87.0	88.0	67.2
Provision for real estate write-down and relocation	40.0				
<b>GROSS CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	<b>125.2</b>	<b>112.4</b>	<b>474.1</b>	<b>276.4</b>	<b>434.1</b>
Undistributed net earnings of unconsolidated affiliates	(11.3)	(14.1)	(19.7)	(15.7)	(31.2)
Theatrical and television inventories and broadcast rights					
Gross additions	(526.8)	(472.0)	(909.6)	(953.6)	(863.7)
Amortization	387.0	413.7	834.7	945.2	836.3
Decrease (increase) in network features and syndication licenses	4.2	(66.5)	(78.2)	(47.1)	(117.5)
Increase in pre-publication costs	(39.6)	(44.9)	(87.7)	(77.8)	(110.1)
Decrease (increase) in trade receivables	194.6	162.7	(8.4)	(44.6)	1.0
Decrease (increase) in inventories (other than theatrical and television)	(23.5)	(11.9)	19.4	19.2	(15.0)
Decrease (increase) in prepaid expenses	(67.6)	31.2	(13.4)	(45.0)	(21.8)
Increase (decrease) in trade accounts payable	51.0	(3.4)	8.5	(24.3)	24.9
Increase (decrease) in income taxes payable	(112.6)	(41.7)	12.4	(29.8)	32.7
Increase (decrease) in accrued expenses and other	(50.7)	(19.6)	34.4	(10.3)	(76.4)
Other - Net	(91.1)	(66.4)	(48.4)	91.7	93.9
<b>NET CASH FLOWS PROVIDED FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>(161.2)</b>	<b>(20.5)</b>	<b>218.1</b>	<b>84.3</b>	<b>187.2</b>
<b>CASH FLOWS FROM INVESTMENT AND OTHER ACTIVITIES</b>					
Expenditures for property, plant and equipment (excluding capitalized leases)	(55.9)	(68.8)	(120.0)	(167.5)	(186.7)
Proceeds on disposal of property, plant and equipment	1.1	5.2	11.8	2.2	2.6
Purchase price of acquired businesses (net of acquired cash)	(0.1)	(161.5)	(585.1)	(86.9)	(220.9)
Decrease (increase) in investment in affiliated companies	(3.7)	13.3	10.8	8.3	
Taxes related to gain on sale of business					(667.4)
Decrease (increase) in short-term and other investments	317.1	114.3	209.0	(467.1)	(476.8)
Decrease (increase) in investments maturing after one year		25.6	49.1	161.9	(211.0)
Decrease in notes receivable	1.3	4.7	8.9	17.3	515.8
<b>NET CASH FLOWS PROVIDED FROM (USED FOR) INVESTMENT AND OTHER ACTIVITIES</b>	<b>259.8</b>	<b>(67.2)</b>	<b>(415.5)</b>	<b>(531.8)</b>	<b>(1,244.4)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds of long-term debt		245.7	492.4		
Payments of long-term debt	(5.9)	(214.5)	(395.7)	(26.9)	(138.1)
Loss on early extinguishment of debt			(13.4)		
Issuance of Common Stock (excluding grants to employees)	29.8	9.8	23.8	14.5	13.4
Acquisition of stock for the treasury	(27.0)	(0.7)	(49.2)	(15.2)	(142.3)
Dividends	(47.2)	(44.2)	(91.5)	(82.4)	(83.4)
<b>NET CASH FLOWS USED FOR FINANCING ACTIVITIES</b>	<b>(50.3)</b>	<b>(3.9)</b>	<b>(33.6)</b>	<b>(110.0)</b>	<b>(350.4)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>48.3</b>	<b>(91.6)</b>	<b>(231.0)</b>	<b>(557.5)</b>	<b>(1,407.6)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>324.3</b>	<b>555.3</b>	<b>555.3</b>	<b>1,112.8</b>	<b>2,520.4</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 372.6</b>	<b>\$ 463.7</b>	<b>\$ 324.3</b>	<b>\$ 555.3</b>	<b>\$ 1,112.8</b>

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note A - Significant Accounting Policies

## Principles of Consolidation

The consolidated financial statements include the accounts of Paramount Communications Inc. (Company) and its majority-owned affiliates. The Company's investments in its 20-50% owned investees are carried on the equity basis. The income taxes of the investees are included in the provision for income taxes.

Certain amounts in the consolidated financial statements for periods prior to April 30, 1993 have been reclassified to conform to current presentation for comparative purposes.

## Accounting Changes

Effective November 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Company's previous practice was to recognize the cost of such postretirement benefits when paid.

The Company 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, or \$.57 per share. The incremental effect of this accounting change on each of the quarters in the six months ended April 30, 1993 was to increase net periodic postretirement benefit cost by approximately \$2.6 million on a pre-tax basis.

In February 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to decrease the loss before cumulative effect of accounting change and net loss by \$1.8 million (\$.01 per share) for the six months ended April 30, 1993; increase earnings before extraordinary item and net earnings by \$4.0 million (\$.04 per share) for the year ended October 31, 1992; and, increase net earnings by \$5.4 million (\$.05 per share), \$5.3 million (\$.04 per share) and \$2.0 million (\$.02 per share - unaudited) for the years ended October 31, 1991 and 1990 and the six months ended April 30, 1992, respectively. The cumulative effect of adopting SFAS No. 109 as of October 31, 1989, decreased the beginning balance of 1990's retained earnings by \$50.7 million.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

## Change in Fiscal Year End

In June 1993, the Board of Directors approved a change in the Company's fiscal year end to April 30 from October 31.

## Cash and Cash Equivalents

Cash equivalents consist of highly liquid instruments with original maturities of three months or less.

## Short-Term Investments

Short-term investments consist of instruments with original maturities in excess of three months and are carried at cost, which approximates market.

## Inventories

Inventories are generally determined using the lower of cost (first-in, first-out or average cost method) or net realizable value.

## Theatrical and Television Inventories, Revenues and Costs

Feature films are produced or acquired for distribution, normally, first in the theatrical market followed by videocassettes, pay cable, network television and syndicated television. On average, the length of the revenue cycle for feature films approximates four years. Theatrical revenues from domestic and foreign markets are recognized as films are exhibited, revenues from the sale of videocassettes are recognized upon delivery of the merchandise and revenues from all television sources are recognized upon availability of the film for telecast.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories related to theatrical and television product (which include direct production costs, production overhead, capitalized interest, and acquisition costs) are stated at the lower of cost less amortization or net realizable value. Inventories are amortized and participations and residuals are accrued on an individual product basis in the proportion that current revenues bear to the estimated remaining total lifetime revenues. Domestic syndication and basic cable revenue estimates are not included in the estimated lifetime revenues of network series until such sales are probable. Estimates of total lifetime revenues and expenses are periodically reviewed. The costs of feature and television films are classified as current assets to the extent such costs are expected to be recovered through the respective primary markets. Other costs relating to film production are classified as noncurrent.

The Company estimates that approximately 94% of unamortized film costs at April 30, 1993 will be amortized within the next three years.

## Publishing Revenue Recognition

The Company's publishing segment follows standard industry practice of recognizing revenue when merchandise is shipped and billed.

## Broadcast Rights

Broadcast rights are recorded when the license period begins and the program becomes available for use, and are stated at the lower of cost less amortization or net realizable value. Broadcast rights for feature films and syndicated programs are amortized using the straight-line method based on program usage. Sports rights are generally charged to expense when the event is telecast. Contract payments are generally made in installments over a term somewhat shorter than the contract.

## Property, Plant and Equipment

Property, plant and equipment are carried at cost. Provision for depreciation on substantially all depreciable assets is computed using the straight-line method over the estimated useful lives of the assets.

## Intangible Assets

Intangible assets primarily represent the excess of cost of purchased businesses over the value of their net underlying assets (goodwill) and are being amortized annually by the straight-line method over appropriate periods not exceeding forty years. Intangible assets are net of accumulated amortization of \$233.9, \$230.1 and \$186.0 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

## Deferred Costs and Other

Deferred costs and other includes certain pre-publication costs being amortized annually by the straight-line method or an accelerated basis over appropriate periods, the majority of which is four years.

## Unamortized Debt Discount

Debt discount is amortized over the term of the related debt using the interest method.

## Income Taxes

Provision for income taxes includes deferred taxes which represent future tax effects of items reported for income tax purposes in periods different than for financial purposes.

## Deferred Off-Season Theme Park Expenses

Certain expenses incurred in the off-season to prepare the theme parks for the operating season are deferred and amortized over the subsequent operating season, which generally begins in March and finishes in October.

## Earnings (Loss) Per Share

Earnings (loss) per share amounts are based on the weighted average common and dilutive common equivalent (stock options) shares outstanding during the respective periods. Earnings (loss) per share are computed by dividing the average common and, where dilutive, common equivalent shares outstanding into the earnings (loss) applicable to such shares.

## Note B - Acquisition and Disposition of Businesses

## Acquisitions

In August and October 1992, the Company 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The acquisitions are being accounted for as purchases and the financial statements include the results of their operations from the dates of acquisition.

The following table summarizes, on a pro forma basis, the combined results of operations as though Kings Entertainment Company, Kings Island Company and Macmillan Computer Publishing had been acquired on November 1, 1990. It includes estimated amounts for a reduction of interest income due to the use of short-term investments for the acquisitions, amortization of estimated intangible assets, additional depreciation expense and an adjustment for income taxes, at the statutory rate. These pro forma results do not necessarily reflect the actual results of operations as they would have been had the acquisitions taken place on that date, nor are they necessarily indicative of future results.

	Year Ended October 31	
	1992	1991
	-----	
	1992	1991
	-----	
	(In millions, except per share) (Unaudited)	
Revenues	\$ 4,464.1	\$ 4,203.5
Earnings before extraordinary item	277.7	133.2
Net earnings	268.9	133.2
Earnings per share		
Earnings before extraordinary item	2.34	1.13
Net earnings	2.26	1.13

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

In December 1989, the Company 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. The Company also acquired PSG debt obligations for approximately \$34 million. In April 1990, the Company was granted the right by the Federal Communications Commission to assume control of PSG. The Company did so by converting preferred stock into common stock and, consequently, began reflecting its operations on a consolidated basis. In July and October 1990, the Company purchased additional shares of PSG stock for \$3.5 million and \$4.3 million, respectively. In February 1991, the Company, through a merger, acquired the remaining outstanding shares of PSG for approximately \$62 million.

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

In June 1993, the Company announced it signed a definitive agreement to purchase television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million; this acquisition was completed in September 1993.

## Dispositions

In June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. (IA) for common stock, debt, preferred stock, common stock warrants and options. The transaction is subject to approval by IA's shareholders. At closing, the Company will own an approximately 49% common stock interest in IA.

During the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990, the Company also acquired or sold certain other businesses. The contributions of these businesses in the aggregate were not significant to the Company's results of operations for the periods presented, nor are they expected to have a material effect on the Company's results on a continuing basis.

## Note C - Other Income (Expense)

Other income (expense) includes foreign exchange gains (losses), minority interest and other.

## Note D - Extraordinary Item

In September 1992, the Company redeemed \$175 million of 9 3/4% senior debentures due 2016 for \$1,061.25 per \$1,000 principal amount. The premium paid by the Company and the write-off of related unamortized discount and issuance costs resulted in a loss of \$8.8 million, net of an income tax benefit of \$4.6 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note E - Inventories

Inventories as described in Note A are stated as follows  
(in millions):

	April 30		October 31	
	1993	1992	1991	
CURRENT				
Finished goods	\$ 248.3	\$ 230.1	\$ 229.8	
Work in process	12.8	10.6	20.3	
Materials and supplies	29.5	26.4	20.8	
	-----	-----	-----	
	290.6	267.1	270.9	
Theatrical and television productions				
Released	176.9	169.1	161.2	
Completed, not released	32.7	35.7	43.3	
In process and other	61.8	75.9	84.4	
	-----	-----	-----	
	271.4	280.7	288.9	
Broadcast rights	55.3	32.4	30.6	
	-----	-----	-----	
	617.3	580.2	590.4	
NONCURRENT				
Theatrical and television productions				
Released	155.3	103.9	71.1	
In process and other	247.0	174.8	119.2	
	-----	-----	-----	
	402.3	278.7	190.3	
Broadcast rights	107.0	104.4	111.5	
	-----	-----	-----	
	509.3	383.1	301.8	
	-----	-----	-----	
	\$ 1,126.6	\$ 963.3	\$ 892.2	
	=====	=====	=====	

Note F - Investment in  
Affiliated Companies

Investments in affiliated companies primarily include the Company's interest in USA Networks, national advertiser-supported basic cable television networks (50% owned); Cinamerica, a domestic motion picture theater operation (50% owned); United Cinemas International Multiplex B.V., engaged in theatrical exhibition of motion pictures in the United Kingdom, Ireland, Germany and Spain (49% owned); Cinema International Corporation N.V., which owns motion picture screens in seven countries (49% owned); and as of August 1992, Canada's Wonderland, Inc., a Canadian theme park (20% owned).

Summarized financial information for the above companies is as follows (in millions):

	Six Months Ended or at April 30		Year Ended or at October 31		
	1993	1992	1992	1991	1990
		(Unaudited)			
Revenues	\$ 372.6	\$ 354.7	\$ 783.2	\$ 683.0	\$ 548.3
Gross profit	129.0	139.8	321.6	226.3	208.3
Net earnings	36.2	49.3	83.2	74.4	52.1
Current assets	\$ 326.7		\$ 337.8	\$ 227.8	
Noncurrent assets	855.8		934.2	741.2	
Current liabilities	223.7		248.8	167.6	
Noncurrent liabilities	493.4		595.4	430.4	

Included in the operating income of the Company's Entertainment operations are equity in earnings for the above affiliated companies of \$24.0, \$34.1 (unaudited), \$58.7, \$47.6 and \$43.7 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990. Dividends received from these affiliated companies were \$7.8, \$10.5 (unaudited), \$22.0, \$32.5 and \$10.8 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

Included in consolidated retained earnings at April 30, 1993 is \$161.7 million of undistributed earnings of affiliates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note G - Long-Term Debt

Long-term debt includes (in millions):

	April 30	October 31	
	1993	1992	1991
8 1/2% senior notes due 1996 (prepaid July 1993)	\$ 99.8	\$ 99.8	\$ 99.7
7 1/2% senior notes due 2002	246.3	246.0	
8 1/4% senior debentures due 2022	246.8	246.7	
11 5/8% senior notes due 1992			125.0
9.55% note payable to an institutional investor due 1999 (prepaid 1992)			62.6
9 3/4% senior debentures due 2016 (prepaid 1992)			173.6
12 3/8% subordinated notes due 1995 (prepaid 1992)			19.5
7% subordinated debentures due 2003, net of unamortized discount of \$53.7 at April 30, 1993, \$55.1 at October 31, 1992 and \$57.8 at October 31, 1991 (effective average interest rate of 11%)	177.7	176.3	173.6
Other notes and debentures due 1993 to 1996 (effective average interest rate of 8.22%)	12.2	12.2	17.4
Obligations under capital leases	34.3	41.1	46.8
	817.1	822.1	718.2
Less current maturities	109.8	10.0	198.3
	\$707.3	\$812.1	\$519.9

Maturities of long-term debt (including the present value of obligations under capital leases as set forth in Note J) during the five years ending April 30, 1998 are (in millions):

1994	\$109.8
1995	10.7
1996	20.1
1997	3.1
1998	0.4

The Company has complied with restrictions and limitations required under terms of various loan agreements.

In July 1993, the Company completed a public offering of \$150 million of 5 7/8% senior notes due 2000 and \$150 million of 7 1/2% senior debentures due 2023.

## Note H - Capital Stock

The authorized capital stock of the Company includes 75,000,000 shares of Preferred Stock, all of which are undesignated.

Each share of Common Stock outstanding has a related Common Stock purchase right which will become exercisable after a specified period of time only if a person or group acquires beneficial ownership of 15% or more of the outstanding Common Stock of the Company or announces or commences a tender or exchange offer that would result in the offeror acquiring 30% or more of the Company's Common Stock. Once exercisable, each right would entitle its registered holder to purchase one share of the Company's Common Stock at a price of \$200 per share, subject to adjustment to prevent dilution. Upon the occurrence of certain events or transactions specified in the rights agreement, the rights holder is entitled to receive for \$200 per right a number of shares of the Company's or an acquiring company's common stock having a market value equal to twice the right's exercise price. The rights may be redeemed by the Company for \$.01 per right prior to the tenth day after a person or group acquires 15% or more of the outstanding Common Stock of the Company. The rights expire on September 30, 1998, unless redeemed earlier by the Company.

Common Stock outstanding at April 30, 1993, does not include 2,127,817 shares reserved under the 1984 Stock Option Plan; 4,469,718 shares reserved under the 1989 Stock Option Plan; 5,750,000 shares reserved under the 1992 Stock Option Plan; and 3,130,018 shares reserved under the Long-Term Performance Plan.

The Company's 1973 Key Employees Stock Purchase Plan and 1984, 1989 and 1992 Stock Option Plans provide for the issuance of options to key employees to purchase Common Stock of the Company at a price not less than fair market value on the date of grant. Options may not be granted under these plans that expire more than ten years from the date of grant. The Company may establish installment exercise terms for a stock option so that the option becomes fully



exercisable in a series of cumulative portions. The Company may also accelerate the period for the exercise of any stock option or portion thereof.

Each option granted under the Company's 1984, 1989 and 1992 Stock Option Plans contains a Limited Right which entitles the holder thereof, only upon the occurrence of certain specified events constituting a change in control of the Company and only after the Compensation Committee of the Board of Directors of the Company so determines, to receive cash in lieu of exercising the option.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transactions involving outstanding stock options under these plans were:

	Number of Common Shares			Option Price		
	1973 Plan	1984 Plan	1989 Plan	Per Share	Aggregate	
						(In millions)
Outstanding at October 31, 1989	100,000	4,585,753	498,700	\$ 7.75--	\$55.63	\$172.1
Granted			1,275,155	34.63--	55.00	66.1
Issued		(309,887)		15.38--	39.56	(10.1)
Rescinded		(32,675)	(56,550)	31.69--	55.00	(4.4)
Outstanding at October 31, 1990	100,000	4,243,191	1,717,305	7.75--	55.63	223.7
Granted			2,967,650	36.94--	42.13	119.9
Issued	(30,000)	(750,710)		11.80--	43.13	(24.1)
Rescinded		(320,700)	(487,970)	31.69--	55.00	(36.1)
Outstanding at October 31, 1991	70,000	3,171,781	4,196,985	7.75--	55.63	283.4
Granted			468,500	37.50--	47.13	20.0
Issued	(40,000)	(295,198)	(221,183)	7.75--	41.81	(20.1)
Rescinded		(45,075)	(325,825)	20.19--	55.00	(15.7)
Outstanding at October 31, 1992	30,000	2,831,508	4,118,477	13.94--	55.63	267.6
Granted			442,500	44.19--	50.69	19.7
Issued	(30,000)	(703,091)	(309,099)	13.94--	45.81	(27.8)
Rescinded		(600)	(36,035)	33.88--	55.00	(1.9)
Outstanding at April 30, 1993	-0-	2,127,817	4,215,843	15.25--	55.63	\$257.6
Exercisable at						
October 31, 1991	70,000	3,159,281	1,077,475			
October 31, 1992	30,000	2,831,508	2,287,869			
April 30, 1993	-0-	2,127,817	2,238,430			
Reserved for future grants at						
October 31, 1991			803,015			
October 31, 1992			660,340			
April 30, 1993			253,875			

No options have been granted under the 1992 Stock Option Plan, and at April 30, 1993, 5,750,000 shares were reserved for future grants under this plan.

The Company follows the practice of recording amounts received upon the exercise of options by crediting Common Stock and paid-in surplus. No charges are reflected in the consolidated statement of earnings as a result of the grant or exercise of stock options. The Company records compensation expense related to stock appreciation rights of each plan and share unit features of the 1973 Plan based on the change in the quoted market price of the Common Stock for the period. The exercise prices of options are subject to anti-dilution provisions. The Company realizes an income tax benefit from the exercise or early disposition of certain stock options. This benefit results in a decrease in current income taxes payable and an increase in paid-in surplus.

During the six months ended April 30, 1993 and the year ended October 31, 1991, 125,000 and 200,000 shares, respectively, of Common Stock of the Company were granted to certain key employees subject to restrictions which will lapse on certain dates through February 1997. The average market price of these shares on the dates on which they were granted ranged from \$43.06 to \$44.19. During the six months ended April 30, 1993 and the years ended October 31, 1991 and 1990, 50,000, 292,000 and 125,000, respectively, of previously granted shares were rescinded. At April 30, 1993, the unvested portion of previously granted shares totaling \$34.1 million is included as a reduction of stockholders' equity. Compensation expense is recorded over the period during which services are performed.

During the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991, 61,094, 64,205 and 138,485 shares, respectively, of Common Stock of the Company were granted to employees at an average market price of \$43.50, \$37.63 and \$41.88 under the terms of the Company's Long-Term Performance Plan. At April 30, 1993 and October 31, 1992 and 1991, there were 3,130,018, 3,191,112 and 3,255,317 shares, respectively, of Common Stock reserved for future grants under this plan.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note I - Income Taxes

As described in Note A, effective May 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes" by restating its prior period financial statements beginning November 1, 1988.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities were as follows (in millions):

	April 30	October 31	
	1993	1992	1991
Deferred tax assets:			
Costs of motion picture and television production	\$ 89.2	\$ 75.0	\$ 50.4
Employee compensation and other payroll related expenses	44.5	60.7	53.2
Provisions for real estate write-down, relocation and prior year publishing charge	40.5	24.8	26.9
Sales returns and allowances	46.4	45.8	38.2
Discontinued operations	34.2	29.0	37.8
Postretirement benefit obligation	34.5		
Preacquisition net operating loss carryforwards of subsidiaries and other	50.0	60.3	66.0
Other	32.1	42.0	54.8
	371.4	337.6	327.3
Valuation allowance for deferred tax assets	(50.0)	(60.3)	(66.0)
Total deferred tax assets	321.4	277.3	261.3
Deferred tax liabilities:			
Income on motion picture and television production	(12.4)	(13.1)	(16.8)
Expenses related to renovation project	(9.2)	(9.2)	(9.2)
Self insurance	(10.5)	(3.1)	
Deferred seasonal expenses	(41.9)	(26.8)	
Other	(18.4)	(17.9)	(21.7)
Total deferred tax liabilities	(92.4)	(70.1)	(47.7)
Net deferred tax assets	\$229.0	\$207.2	\$213.6

Provision (benefit) for income taxes includes (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)				
Current					
Federal	\$ (54.1)	\$ (16.7)	\$ 62.4	\$ 26.1	\$ 37.3
Foreign	16.1	31.1	55.1	47.5	49.0
State and other	1.4	4.6	8.8	16.0	7.2
	(36.6)	19.0	126.3	89.6	93.5
Deferred					
Federal	27.7	1.0	4.0	(28.0)	20.3
Foreign	1.2		(7.2)	(4.2)	(1.3)
State and other				(5.3)	4.1
	28.9	1.0	(3.2)	(37.5)	23.1
	\$ (7.7)	\$ 20.0	\$ 123.1	\$ 52.1	\$ 116.6

The components of earnings (loss) before income taxes were as follows (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)				
Domestic	\$ (47.8)	\$ 7.7	\$ 301.8	\$ 68.0	\$ 218.4

Foreign

31.0	61.0	95.5	111.7	162.6
-----	-----	-----	-----	-----
\$ (16.8)	\$ 68.7	\$ 397.3	\$ 179.7	\$ 381.0
=====	=====	=====	=====	=====

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation between the provision (benefit) for income taxes computed by applying the statutory Federal income tax rate to earnings (loss) before income taxes and the actual provision (benefit) for income taxes is as follows (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)				
Provision (benefit) for income taxes at statutory rate	\$ (5.7)	\$ 23.4	\$ 135.1	\$ 61.1	\$ 129.5
Increase (decrease) in taxes arising from effect of					
Income (principally foreign) taxed at lower rates	(1.2)	(7.4)	(13.4)	(19.6)	(34.5)
Amortization of intangible assets	1.3	1.0	13.1	8.8	9.6
U. S. state and local income taxes	1.0	3.0	5.3	7.0	7.8
Tax exempt interest				(5.4)	(8.0)
Restoration of reserves no longer required	(3.9)		(21.4)		
Other	0.8		4.4	0.2	12.2
Provision (benefit) for income taxes	\$ (7.7)	\$ 20.0	\$ 123.1	\$ 52.1	\$ 116.6
Effective tax rate	45.8%	29.1%	31.0%	29.0%	30.6%

Total income tax payments were \$59.6, \$43.5 (unaudited), \$120.0, \$103.8 and \$720.4 million (including \$667.4 million resulting from the fiscal 1989 sale of Associates First Capital Corporation), respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990. The Company's share of the undistributed earnings of foreign subsidiaries not included in its consolidated Federal income tax return, that could be subject to additional income taxes if remitted, was approximately \$810 million at April 30, 1993. No provision has been made for taxes that could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings indefinitely; determination of the related unrecognized deferred U.S. income tax liability is not practicable.

## Note J - Commitments and Contingencies

## Leases

Total rental expense was \$45.7, \$43.1 (unaudited), \$87.0, \$80.0 and \$76.8 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

At April 30, 1993, the minimum lease payments under capital leases and noncancellable operating leases were as follows (in millions):

	Year Ending April 30	
	Capital Leases	Operating Leases
1994	\$ 14.4	\$ 65.2
1995	13.8	56.7
1996	9.7	44.5
1997	3.8	38.1
1998	0.7	35.9
Thereafter	5.1	388.4
Total minimum lease payments	47.5	\$ 628.8
Less amounts representing interest	13.2	
Present value of net minimum lease payments	\$ 34.3	

Many of the leases also require the lessee to pay property taxes, insurance and ordinary repairs and maintenance.

## Employee Benefit Plans

The cost of pension benefits for eligible employees, measured by length of service, compensation and other factors, is currently being funded through

trusts established under the plans. In general, the Company's funding policy is to make contributions to the plans as necessary to meet minimum funding requirements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of net periodic pension cost for the Company's plans were as follows (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	----- (Unaudited) -----				
Service cost-benefits earned	\$ 9.2	\$ 9.0	\$ 18.1	\$ 17.2	\$ 15.8
Interest cost on projected benefit obligation	18.9	17.0	34.1	32.4	30.6
Less return on plan assets	(25.2)	(20.6)	(41.2)	(59.4)	(36.0)
Net amortization and deferral	3.9	1.1	1.9	19.7	(3.4)
	-----	-----	-----	-----	-----
Net periodic pension cost	\$ 6.8	\$ 6.5	\$ 12.9	\$ 9.9	\$ 7.0
	=====	=====	=====	=====	=====

In addition, the Company had other pension expense for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990 of \$5.0, \$4.7 (unaudited), \$9.2, \$9.2 and \$10.6 million, respectively, primarily related to multiemployer pension plans.

The funded status and amounts recognized in the Company's consolidated balance sheet for its domestic and non-U.S. plans is as follows (in millions):

	April 30	October 31	
	1993	1992	1991
	-----	-----	-----
Actuarial present value of benefit obligation			
Vested	\$345.8	\$325.6	\$307.1
Nonvested	19.4	17.8	16.8
	-----	-----	-----
Accumulated benefit obligation	365.2	343.4	323.9
Effect of projected future salary increases	57.1	55.8	53.1
	-----	-----	-----
Projected benefit obligation	422.3	399.2	377.0
Plan assets at fair value	453.0	432.1	416.8
	-----	-----	-----
Plan assets in excess of projected benefit obligation	30.7	32.9	39.8
Unrecognized net gain	(34.9)	(30.2)	(23.8)
Unrecognized prior service cost	(8.2)	(9.7)	(11.2)
Unrecognized net asset at date of adoption of SFAS No. 87	(9.0)	(9.7)	(12.7)
	-----	-----	-----
Net pension liability	\$(21.4)	\$(16.7)	\$(7.9)
	=====	=====	=====

Plan assets consist primarily of marketable equity and fixed income securities and the Company's Common Stock. At April 30, 1993 and October 31, 1992 and 1991, the Company's plans owned 932,076 shares of the Company's Common Stock with an aggregate market value of \$48.5, \$39.3 and \$37.4 million, respectively.

In the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991, the weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation for the Company's plans were 8.5% and 6.0%, respectively. The expected long-term rate of return on assets used for the majority of the Company's plans was 10.0% for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

## Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, the Company sponsors a welfare plan which provides certain postretirement health care and life insurance benefits for substantially all employees and their covered dependents who generally have worked ten years and are eligible for early or normal retirement under the provisions of the Company's retirement plan. The welfare plan is contributory and contains cost-sharing features such as deductibles and coinsurance which are adjusted annually. The plan is not funded. The Company continues to fund these benefits as claims are paid.

As described in Note A, effective November 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Postretirement benefit costs for prior years, which were recorded on a cash basis, have not been restated.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of the amounts recognized in the Company's consolidated balance sheet are as follows (in millions):

	April 30 ----- 1993 -----	November 1 ----- 1992 -----
Accumulated postretirement benefit obligation attributable to:		
Current retirees	\$ 51.7	\$ 49.2
Fully eligible active plan participants	20.2	19.2
Other active plan participants	34.7	33.0
	-----	-----
Accumulated postretirement benefit obligation	\$ 106.6 =====	\$ 101.4 =====

The components of net periodic postretirement benefit cost for the six months ended April 30, 1993, are as follows (in millions):

Service cost-benefits earned	\$ 2.4
Interest cost on accumulated postretirement benefit obligation	4.2
	-----
Net periodic postretirement benefit cost	\$ 6.6 =====

The discount rate used in determining the accumulated postretirement benefit obligation was 8.5%. At April 30, 1993, the assumed weighted average health care cost trend rates to be used in measuring the accumulated postretirement benefit obligation for 1994 are 13% for retirees age 65 and over and 15% for retirees under age 65. Both rates are assumed to decrease gradually each year to 6.7% in 2011 and thereafter. A one percentage point increase in each year of these health care cost trend rates would increase the accumulated postretirement benefit obligation at April 30, 1993 by \$19.2 million, and increase the sum of the service and interest cost components of net periodic postretirement benefit cost by \$1.4 million.

In addition, the Company contributes to multiemployer plans which provide health and welfare benefits to active as well as retired employees. The cost of these benefits for the six months ended April 30, 1993, was \$5.6 million.

## Commitments

At April 30, 1993, the Company is obligated to make future payments for various feature films, syndicated programs, sports events and other programming totaling approximately \$401 million. This amount includes \$327 million related to Madison Square Garden Network's agreement to televise New York Yankees baseball games through the year 2000.

## Legal Proceedings

The Company is a defendant in various lawsuits wherein substantial amounts are claimed. In the opinion of counsel, these suits should not result in judgments that in the aggregate would have a material adverse effect on the Company's financial statements.

## Note K - Supplemental Information

Trade receivables are net of allowance for doubtful accounts of \$64.1, \$65.5 and \$59.6 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

Prepaid expenses and other includes royalties advances of \$182.8, \$161.6 and \$156.4 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

The details of accrued expenses and other are as follows (in millions):

	April 30 ----- 1993 -----	October 31 ----- 1992 -----		1991 -----
Participations payable and accrued syndication expenses	\$ 334.6	\$ 363.0	\$ 348.2	
Deferred television contracts income	90.6	86.9	73.7	
Accrued compensation and other				
employee benefit related items	114.7	140.6	97.2	
Reverse repurchase liability	75.1	50.1		
Other	513.4	473.5	483.4	
	-----	-----	-----	
	\$1,128.4 =====	\$1,114.1 =====	\$ 1,002.5 =====	



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred liabilities includes participations payable and deferred syndication expenses of \$193.7, \$189.2 and \$187.9 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

The details of interest and other investment income (expense) - net are as follows (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
		(Unaudited)			
Interest expense					
Interest on indebtedness and other	\$ (44.9)	\$ (54.4)	\$ (104.1)	\$ (108.6)	\$ (116.2)
Imputed interest on long-term liabilities	(5.8)	(8.5)	(14.7)	(14.6)	(22.9)
Less capitalized interest	2.8	3.1	5.0	11.2	15.2
	(47.9)	(59.8)	(113.8)	(112.0)	(123.9)
Interest and other investment income					
Interest and other income on investments	28.6	40.0	88.4	106.9	180.3
Imputed interest on long-term receivables	16.3	17.3	33.2	26.9	22.4
	44.9	57.3	121.6	133.8	202.7
	\$ (3.0)	\$ (2.5)	\$ 7.8	\$ 21.8	\$ 78.8
	=====	=====	=====	=====	=====

Imputed interest relates principally to network and syndication licenses of motion picture and television products. Capitalized interest relates to projects under construction and theatrical and television productions in process. Interest paid on borrowings was \$40.8, \$51.0 (unaudited), \$91.0, \$99.5 and \$105.6 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

## Note L - Financial Instruments

The Company adopted SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" in the six months ended April 30, 1993. This statement requires disclosure of estimated fair values for all financial instruments for which it is practicable to estimate fair value.

The Company has used various methods and assumptions to estimate the fair value of its financial instruments at April 30, 1993. For cash and cash equivalents, the carrying amount approximates fair value because of the short maturities of these instruments. Quoted market prices or dealer quotes for the same or similar instrument were used for short-term investments and the majority of long-term debt. Other techniques, such as estimated cash flows and termination cost have been used to estimate the fair value of the remaining financial instruments. These values represent a general approximation of possible value and may not be indicative of the amounts that could be realized in a current market exchange.

The carrying amounts and fair values of the Company's recorded financial instruments at April 30, 1993 are as follows (in millions):

	Carrying Amount	Fair Value
Cash and cash equivalents	\$372.6	\$372.6
Short-term investments	569.7	577.4
Long-term debt (including current maturities) (1)	782.8	859.8
Reverse repurchase liability	75.1	75.1

(1) Excludes obligations under capital leases classified as long-term debt.

Periodically, the Company enters into interest rate swap agreements. These agreements generally allow the Company to exchange fixed rates for variable rates without the exchange of cash with respect to the underlying principal amounts. Net interest payments or receipts, which were not material, are recorded as adjustments to interest expense. The fair value of interest rate swaps at April 30, 1993 was not material.

The Company has guaranteed third party securities and commitments relating primarily to joint venture obligations, theater leases and standby letters of credit totaling approximately \$320 million at April 30, 1993. These guarantees

had a fair value of \$293 million at April 30, 1993.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE M - Financial Reporting By Business Segments

A summary description of the Company's business segments and their respective Revenues and Operating Income (Loss) for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990 is presented elsewhere herein.

Depreciation, capital expenditures and identifiable assets were as follows (in millions):

	Depreciation					Capital Expenditures (1)				
	Six Months Ended April 30		Year Ended October 31			Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990	1993	1992	1992	1991	1990
	-----					-----				
	(Unaudited)					(Unaudited)				
Business Segments										
Entertainment	\$24.6	\$23.1	\$49.0	\$38.1	\$28.0	\$46.0	\$58.6	\$94.3	\$146.6	\$174.7
Publishing	11.6	11.2	20.9	19.1	15.8	8.7	10.0	24.6	25.8	12.6
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	36.2	34.3	69.9	57.2	43.8	54.7	68.6	118.9	172.4	187.3
Corporate and Other										
Non-Segment Items	0.9	0.9	1.8	1.9	2.0	1.2	0.2	1.1	0.5	0.6
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$37.1	\$35.2	\$71.7	\$59.1	\$45.8	\$55.9	\$68.8	\$120.0	\$172.9	\$187.9
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

	Identifiable Assets			
	April 30	October 31		
	1993	1992	1991	1990
	-----	-----	-----	-----
Business Segments				
Entertainment	\$3,377.8	\$3,221.9	\$2,493.7	\$2,223.0
Publishing	2,321.3	2,396.5	2,226.4	2,191.5
	-----	-----	-----	-----
Total	5,699.1	5,618.4	4,720.1	4,414.5
Corporate and Other				
Non-Segment Items	1,175.7	1,438.6	1,934.6	2,126.5
	-----	-----	-----	-----
	\$6,874.8	\$7,057.0	\$6,654.7	\$6,541.0
	=====	=====	=====	=====

(1) Including capitalized leases.

Identifiable assets are those which can be directly identified or associated with the segments. Corporate and other non-segment items principally include cash and cash equivalents, short-term investments, notes receivable, prepaid income taxes and corporate property and equipment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note N - Quarterly Results (Unaudited)

The following summarizes the quarterly operating results of the Company for the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991 (in millions, except per share):

Quarter Ended	Revenues	Cost of Goods Sold	Operating Income (Loss)	Earnings (Loss) Before Income Taxes	Earnings (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Change	Earnings (Loss) Per Share		
						Net Earnings (Loss)	Earnings (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Change	Net Earnings (Loss)
<b>1993</b>								
January 31	\$ 943.7	\$ 648.8	\$ 1.8	\$ (1.2)	\$ 0.1	\$(66.8)	\$ -0-	\$(.57)
April 30	954.4	638.0	(11.9)	(15.6)	(9.2)	(9.2)	(.08)	(.08)
	-----	-----	-----	-----	-----	-----	-----	-----
	\$1,898.1	\$1,286.8	\$(10.1)	\$ (16.8)	\$ (9.1)	\$(76.0)	\$(.08)	\$(.65)
	=====	=====	=====	=====	=====	=====	=====	=====
<b>1992</b>								
January 31	\$1,070.6	\$ 761.4	\$ 27.6	\$ 27.1	\$ 19.4	\$ 19.4	\$ .16	\$ .16
April 30	927.9	621.7	50.2	41.6	29.3	29.3	.25	.25
July 31	1,063.9	629.2	156.9	166.6	114.3	114.3	.96	.96
October 31	1,202.5	727.5	161.4	162.0	111.2	102.4	.94	.86
	-----	-----	-----	-----	-----	-----	-----	-----
	\$4,264.9	\$2,739.8	\$396.1	\$ 397.3	\$274.2	\$265.4	\$2.31	\$2.23
	=====	=====	=====	=====	=====	=====	=====	=====
<b>1991</b>								
January 31	\$ 897.1	\$ 658.3	\$(27.0)	\$ (10.8)	\$ (5.9)	\$ (5.9)	\$(.05)	\$(.05)
April 30	868.1	646.9	(86.3)	(80.8)	(53.7)	(53.7)	(.46)	(.46)
July 31	963.9	553.9	149.5	148.8	102.6	102.6	.87	.87
October 31	1,166.3	779.6	121.6	122.5	84.6	84.6	.72	.72
	-----	-----	-----	-----	-----	-----	-----	-----
	\$3,895.4	\$2,638.7	\$157.8	\$ 179.7	\$127.6	\$127.6	\$1.08	\$1.08
	=====	=====	=====	=====	=====	=====	=====	=====

## Note O - Subsequent Event (Unaudited)

On September 12, 1993, the Company and Viacom Inc. (Viacom), entered into an Agreement and Plan of Merger, dated as of September 12, 1993 (the "Merger Agreement"), providing for the merger of the Company with and into Viacom, with Viacom as the surviving corporation (the "Merger"). The name of the combined entity will be Paramount Viacom International, Inc.

Upon the effectiveness of the Merger, each share of the Company's stock will be converted into (i) 0.10 shares of Viacom Class A common stock, (ii) 0.90 shares of Viacom Class B common stock and (iii) \$9.10 in cash.

A special meeting of the Company's common stockholders will be called to act on the Merger. The approval of the holders of a majority of all outstanding shares of the Company's Common Stock is required to approve the Merger.

In addition, consummation of the Merger is subject to certain conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and receipt of regulatory approvals (including approval of the Federal Communications Commission). If the Merger is terminated under certain limited circumstances, the Company must pay Viacom \$100 million.

As a condition to entering into the Merger Agreement, the Company and Viacom entered into a Stock Option Agreement, dated as of September 12, 1993 (the "Stock Option Agreement"), pursuant to which the Company granted to Viacom an irrevocable option to purchase up to 23,699,000 shares of the Company's Common Stock at an exercise price of \$69.14 per share (the "Option"). The Option will become exercisable upon conditions similar to those applicable to the \$100 million payment.

On September 20, 1993, the Company received an acquisition proposal from QVC Network, Inc. (QVC), consisting of a combination of \$30 in cash and 0.893 of a share of QVC common stock for each share of the Company. On September 27, 1993, the Company's Board of Directors met and took no action on the QVC proposal. The Company will consider the QVC proposal when there is satisfactory evidence of financing.

EXHIBIT INDEX

Exhibits No. -----	Description -----
(3)(a)	--Restated Certificate of Incorporation and Amendments thereto (Incorporated by reference).
* (3)(b)	--Amended and restated By-laws.
(4)(a)	--Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K as the authorized principal amount on any one of such issues does not exceed 10% of the total assets of Paramount Communications and its subsidiaries on a consolidated basis. Paramount Communications agrees to furnish a copy of each such instrument to the Commission upon request.
(4)(b)	--Shareholder rights agreement dated as of September 7, 1988, as amended, between Paramount Communications Inc. and Chemical Bank, as Rights Agent (Incorporated by reference).
* (10)(i)(a)	--Agreement and Plan of Merger dated as of September 12, 1993 between Viacom Inc. and Paramount Communications Inc.
* (10)(i)(b)	--Stock Option Agreement dated as of September 12, 1993 between Viacom Inc. and Paramount Communications Inc.
* (10)(i)(c)	--Voting Agreement dated as of September 12, 1993 between National Amusements, Inc. and Paramount Communications Inc.
(10)(ii)(A)(1)	--Agreement, dated as of September 9, 1992, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference).
(10)(ii)(A)(2)	--Agreement, dated as of March 17, 1991, between Paramount Pictures Corporation and Stanley R. Jaffe (Incorporated by reference).
+ (10)(iii)(A)(1)	--Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Martin S. Davis (Incorporated by reference).
+ (10)(iii)(A)(2)	--Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference).
+ (10)(iii)(A)(3)	--Amendment, dated as of September 9, 1992, to the Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference).
+ (10)(iii)(A)(4)	--Amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference).
+ (10)(iii)(A)(5)	--Amendment, dated as of December 21, 1992, to the amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference).
+ (10)(iii)(A)(6)	--Agreement, dated as of January 12, 1993, between Paramount Communications and Ronald L. Nelson (Incorporated by reference).
+ (10)(iii)(A)(7)	--Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Donald Oresman (Incorporated by reference).

Exhibits No. -----	Description -----
+ (10)(iii)(A)(8)	--Agreement, dated as of September 10, 1992, between Paramount Communications and Earl H. Doppelt (Incorporated by reference).
+ (10)(iii)(A)(9)	--Agreement, dated as of September 10, 1992, between Paramount Communications and Rudolph L. Hertlein (Incorporated by reference).
+ (10)(iii)(A)(10)	--Agreement, dated as of June 2, 1989, between Paramount Communications and Lawrence E. Levinson (Incorporated by reference).
+ (10)(iii)(A)(11)	--Agreement, dated as of June 2, 1989, between Paramount Communications and Eugene I. Meyers (Incorporated by reference).
+ (10)(iii)(A)(12)	--Agreement, dated as of February 25, 1992, between Paramount Communications and Jerry Sherman (Incorporated by reference).
+ (10)(iii)(A)(13)	--Agreement, dated April 5, 1993, between Paramount Communications and Robert Greenberg (Incorporated by reference).
+ (10)(iii)(A)(14)	--1992 Stock Option Plan (the "1992 Plan") (Incorporated by reference).
+ (10)(iii)(A)(15)	--1989 Stock Option Plan, as amended (the "1989 Plan") (Incorporated by reference).
+ (10)(iii)(A)(15)(a)	--Form of Stock Option Agreement pursuant to the 1989 Plan--Incentive Stock Option (Incorporated by reference).
+ (10)(iii)(A)(15)(b)	--Form of Stock Option Agreement pursuant to the 1989 Plan--Nonqualified Stock Option (Incorporated by reference).
+ (10)(iii)(A)(16)	--1984 Stock Option Plan, as amended (the "1984 Plan") (Incorporated by reference).
+ (10)(iii)(A)(16)(a)	--Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option (Incorporated by reference).
+ (10)(iii)(A)(16)(b)	--Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option with a Stock Appreciation Right (Incorporated by reference).
+ (10)(iii)(A)(16)(c)	--Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option (Incorporated by reference).
+ (10)(iii)(A)(16)(d)	--Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option with a Stock Appreciation Right (Incorporated by reference).
+ (10)(iii)(A)(17)	--1973 Key Employees Stock Purchase Plan (Incorporated by reference).
+ (10)(iii)(A)(18)	--Amended and Restated Supplemental Executive Retirement Plan (Incorporated by reference).
+ (10)(iii)(A)(19)	--Deferred Compensation Plan for Board of Directors (Incorporated by reference).

Exhibits No.

Description

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+(10)(iii)(A)(20)	--Long-Term Performance Plan, as amended (Incorporated by reference).
+(10)(iii)(A)(21)	--Corporate Annual Performance Plan, as amended (Incorporated by reference).
+(10)(iii)(A)(22)	--Retirement Plan for non-employee directors (Incorporated by reference).
+(10)(iii)(A)(23)	--Non-qualified retirement plan (Incorporated by reference).
** (11)	--Computation of Earnings (Loss) per Share.
* (22)	--List of Subsidiaries.
** (24)	--Consent of Ernst & Young.
* (25)	--Powers of Attorney.

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\* These exhibits were previously filed as part of this Transition Report on Form 10-K for the six months ended April 30, 1993, as amended.

\*\* Filed herewith.

+ This exhibit constitutes a management contract or compensatory plan or arrangement.

EXHIBIT (11)



EXHIBIT (11)

PARAMOUNT COMMUNICATIONS INC.  
 COMPUTATION OF LOSS PER SHARE  
 SIX MONTHS ENDED APRIL 30, 1993  
 (IN MILLIONS, EXCEPT PER SHARE)

	Loss Before Cumulative Effect of Accounting Change	Net Loss	Shares	E.P.S.	
				Loss Before Cumulative Effect of Accounting Change	Net Loss
Loss and average common shares outstanding . . . . .	\$ (9.1)	\$ (76.0)	117.8		
Assumed exercise of dilutive options . . . . .			5.4		
Assumed purchase of treasury stock using the average market price . . . . .			(4.4)		
Primary loss per share	(9.1)	(76.0)	118.8	\$(.08)(1)	\$ (.65)(1)
Reverse dilutive effect of options included in primary calculation . . . . .			(1.0)		
Calculation of fully diluted loss per share			117.8		
I) Assumed exercise of outstanding options - Schedule A . . . . .			5.6		
II) Assumed purchase of treasury stock - Schedule A . . . . .			(4.1)		
III) Reflect actual exercises as of the beginning of the year . . . . .			0.1		
Fully diluted loss per share	<u>\$ (9.1)</u>	<u>\$ (76.0)</u>	<u>119.4</u>	<u>\$ (.08)(1)</u>	<u>\$ (.65)(1)</u>

(1) Computed using the average common shares outstanding since the assumed exercise of options is anti-dilutive.

PARAMOUNT COMMUNICATIONS INC.  
 SCHEDULE A - ASSUMED EXERCISE OF OUTSTANDING OPTIONS  
 SIX MONTHS ENDED APRIL 30, 1993  
 (IN MILLIONS)

	Potential	
	----- Additional Shares -----	----- Cash Proceeds -----
I) Options		
-----		
Options under the 1984 stock option plan . . . . .	2.2	\$ 72.3
Options under the 1989 stock option plan . . . . .	3.4	142.1
	-----	-----
	5.6	214.4
II) Treasury Stock Purchase		
-----		
Use of proceeds to purchase stock at end of period price		
\$52.00 (higher than average price for the period) . . . . .	(4.1)	(214.4)
	-----	-----
	1.5	\$ -0-
	=====	=====

PARAMOUNT COMMUNICATIONS INC.  
 COMPUTATION OF EARNINGS PER SHARE  
 SIX MONTHS ENDED APRIL 30, 1992  
 (IN MILLIONS, EXCEPT PER SHARE)

	Net Earnings	Shares	Net Earnings Per Share
	-----	-----	-----
Net earnings and average common shares outstanding . . . . .	\$ 48.7	118.0	
Assumed exercise of dilutive options . . . . .		5.9	
Assumed purchase of treasury stock using the average market price . . . . .		(4.9)	
	-----	-----	
Primary earnings per share	48.7	119.0	\$ .41 ====
Reverse dilutive effect of options included in primary calculation . . . . .		(1.0)	
		-----	
		118.0	
Calculation of fully diluted earnings per share			
I) Assumed exercise of outstanding options - Schedule A . . . . .		6.0	
II) Assumed purchase of treasury stock - Schedule A . . . . .		(4.7)	
	-----	-----	
Fully diluted earnings per share	\$ 48.7 =====	119.3 =====	\$ .41 =====

PARAMOUNT COMMUNICATIONS INC.  
 SCHEDULE A - ASSUMED EXERCISE OF OUTSTANDING OPTIONS  
 SIX MONTHS ENDED APRIL 30, 1992  
 (IN MILLIONS)

	Potential	
	----- Additional Shares -----	----- Cash Proceeds -----
I) Options		
-----		
Options under the 1973 stock purchase plan . . . . .	0.1	\$ 0.4
Options under the 1984 stock option plan . . . . .	3.0	93.3
Options under the 1989 stock option plan . . . . .	2.9	119.3
	---	-----
	6.0	213.0
II) Treasury Stock Purchase		
-----		
Use of proceeds to purchase stock at end of period price		
\$45.63 (higher than average price for period) . . . . .	(4.7)	(213.0)
	---	-----
	1.3	\$ -0-
	===	=====

EXHIBIT (11)

PARAMOUNT COMMUNICATIONS INC.  
 COMPUTATION OF EARNINGS PER SHARE  
 YEAR ENDED OCTOBER 31, 1992  
 (IN MILLIONS, EXCEPT PER SHARE)

	Earnings Before Extraordinary Item	Net Earnings	Shares	E.P.S.	
				Earnings Before Extraordinary Item	Net Earnings
Earnings and average common shares outstanding . . . . .	\$ 274.2	\$ 265.4	118.1		
Assumed exercise of dilutive options . . . . .			5.6		
Assumed purchase of treasury stock using the average market price . . . . .			(4.5)		
	-----	-----	-----		
Primary earnings per share	274.2	265.4	119.2	\$ 2.31	\$ 2.23
				=====	=====
Reverse dilutive effect of options included in primary calculation . . . . .			(1.1)		
			-----		
			118.1		
Calculation of fully diluted earnings per share					
I) Assumed exercise of outstanding options - Schedule A . . . . .			5.6		
II) Assumed purchase of treasury stock - Schedule A . . . . .			(4.5)		
	-----	-----	-----		
Fully diluted earnings per share	\$ 274.2	\$ 265.4	119.2	\$ 2.31	\$ 2.23
	=====	=====	=====	=====	=====

PARAMOUNT COMMUNICATIONS INC.  
 SCHEDULE A - ASSUMED EXERCISE OF OUTSTANDING OPTIONS  
 YEAR ENDED OCTOBER 31, 1992  
 (IN MILLIONS)

	Potential	
	----- Additional Shares -----	Cash Proceeds -----
I) Options		
-----		
Options under the 1973 stock purchase plan . . . . .		\$ 0.4
Options under the 1984 stock option plan . . . . .	2.8	86.8
Options under the 1989 stock option plan . . . . .	2.8	111.1
	---	-----
	5.6	198.3
II) Treasury Stock Purchase		
-----		
Use of proceeds to purchase stock at average price for year \$43.80 (higher than year-end price) . . . . .	(4.5)	(198.3)
	---	-----
	1.1	\$ -0-
	===	=====

PARAMOUNT COMMUNICATIONS INC.  
 COMPUTATION OF EARNINGS PER SHARE  
 YEAR ENDED OCTOBER 31, 1991  
 (IN MILLIONS, EXCEPT PER SHARE)

	Net Earnings	Shares	Net Earnings Per Share
	-----	-----	-----
Net earnings and average common shares outstanding . . . . .	\$ 127.6	117.7	
Assumed exercise of dilutive options . . . . .		3.5	
Assumed purchase of treasury stock using the average market price . . . . .		(2.7)	
	-----	-----	
Primary earnings per share	127.6	118.5	\$1.08 =====
Reverse dilutive effect of options included in primary calculation . . . . .		(0.8)	
		-----	
		117.7	
Calculation of fully diluted earnings per share			
I) Assumed exercise of outstanding options - Schedule A . . . . .		4.0	
II) Assumed purchase of treasury stock - Schedule A . . . . .		(3.1)	
III) Reflect actual exercises as of the beginning of the year Options and purchase of treasury stock - net . . . . .		0.1	
	-----	-----	
Fully diluted earnings per share	\$ 127.6 =====	118.7 =====	\$1.08 =====

PARAMOUNT COMMUNICATIONS INC.  
 SCHEDULE A - ASSUMED EXERCISE OF OUTSTANDING OPTIONS  
 YEAR ENDED OCTOBER 31, 1991  
 (IN MILLIONS)

		Potential	
		----- Additional Shares -----	----- Cash Proceeds -----
I) Options	-----		
Options under the 1973 stock purchase plan . . . . .		0.1	\$ 0.7
Options under the 1984 stock option plan . . . . .		2.9	86.6
Options under the 1989 stock option plan . . . . .		1.0	37.2
		---	-----
		4.0	124.5
II) Treasury Stock Purchase	-----		
Use of proceeds to purchase stock at year-end price			
\$40.13 (higher than average price for year) . . . . .		(3.1)	(124.5)
		---	-----
		0.9	\$ -0-
		===	=====



EXHIBIT (11)

PARAMOUNT COMMUNICATIONS INC.  
 COMPUTATION OF EARNINGS PER SHARE  
 YEAR ENDED OCTOBER 31, 1990  
 (IN MILLIONS, EXCEPT PER SHARE)

	Net Earnings -----	Shares -----	Net Earnings Per Share -----
Net earnings and average common shares outstanding . . . . .	\$ 264.4	118.8	
Assumed exercise of dilutive options . . . . .		4.5	
Assumed purchase of treasury stock using the average market price . . . . .		(3.2)	
	-----	-----	
Primary earnings per share	264.4	120.1	\$2.20 =====
Reverse dilutive effect of options included in primary calculation . . . . .		(1.3)	
		-----	
		118.8	
Calculation of fully diluted earnings per share			
I) Assumed exercise of outstanding options - Schedule A . . . . .		4.8	
II) Assumed purchase of treasury stock - Schedule A . . . . .		(3.6)	
III) Reflect actual exercises as of the beginning of the year Options and purchase of treasury stock - net . . . . .		0.1	
	-----	-----	
Fully diluted earnings per share	\$ 264.4 =====	120.1 =====	\$2.20 =====

PARAMOUNT COMMUNICATIONS INC.  
 SCHEDULE A - ASSUMED EXERCISE OF OUTSTANDING OPTIONS  
 YEAR ENDED OCTOBER 31, 1990  
 (IN MILLIONS)

	Potential	
	Additional Shares	Cash Proceeds
I) Options		
Options under the 1973 stock purchase plan . . . . .	0.1	\$ 1.1
Options under the 1984 stock option plan . . . . .	4.2	136.0
Options under the 1989 stock option plan . . . . .	0.5	21.0
	-----	-----
	4.8	158.1
II) Treasury Stock Purchase		
Use of proceeds to purchase stock at average price for year		
\$44.30 (higher than year-end price) . . . . .	(3.6)	(158.1)
	-----	-----
	1.2	\$ -0-
	=====	=====

EXHIBIT (24)

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Numbers 33-48534, 33-48535, 33-46900, 33-28441, 33-22743, 2-66018, 2-88448 and 33-10554 on Form S-8 and Numbers 2-83427 and 33-51656 on Form S-3) of Paramount Communications Inc. 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 amended consolidated financial statements of Paramount Communications Inc. included in this Transition Report (Form 10-K/A - Amendment No. 2) for the six-month period ended April 30, 1993.

ERNST & YOUNG

New York, New York  
September 30, 1993

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549-1004

-----  
FORM 10-K/A

AMENDMENT NO. 3

(Mark One)

/ / Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

OR

/x/ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from November 1, 1992 to April 30, 1993\*  
Commission file number 1-5404

PARAMOUNT COMMUNICATIONS INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

74-1330475  
(IRS Employer Identification No.)

15 Columbus Circle, New York, New York  
(Address of principal executive offices)

10023-7780  
(Zip Code)

Registrant's telephone number, including area code 212-373-8000

-----  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$1 par value )	New York Stock Exchange
7% Subordinated Debentures, Series A due 2003 )	
7% Subordinated Debentures, Series B due 2003 )	
Common Stock Purchase Rights )	

-----  
Securities registered pursuant to Section 12(g) of the Act:

None

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

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

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant was approximately \$6.1 billion at August 23, 1993.\*\*

At August 23, 1993, 118,417,196 shares of the registrant's Common Stock, \$1 par value, were outstanding.

- - - - -  
\* Paramount Communications Inc. has changed its fiscal year end from October 31 to April 30. This transition report is for the six months ended April 30, 1993.

\*\* Calculated by excluding all shares held by executive officers and directors of registrant without conceding that all such persons are "affiliates" of registrant for purposes of the Federal securities laws.

=====

## PARAMOUNT COMMUNICATIONS INC.

The registrant hereby amends the following items, financial statements, exhibits or other portions of its Transition Report on Form 10-K for the six months ended April 30, 1993, as set forth in the pages attached hereto:

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by Item 7 is found on pages F-6 through F-14 and Item 8 is found on pages F-4 through F-31, exclusive of pages F-6 through F-14.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements--See index to financial statements on Page F-1.

2. Financial Statement Schedules Index:

Report of Independent Auditors

Schedule I -- Marketable Securities--Other Investments

Schedule II -- Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other Than Related Parties

Schedule VII -- Guarantees of Securities of Other Issuers

Schedule VIII -- Valuation and Qualifying Accounts

Schedule X -- Supplementary Income Statement Information

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is included in the financial statements or in the notes to financial statements or is not significant.

The above listed financial statement schedules were previously filed as part of this Transition Report on Form 10-K for the six months ended April 30, 1993, as amended.

3. Exhibits--

(3)(a) -- Restated Certificate of Incorporation and Amendments thereto (Incorporated by reference to Exhibit (4)(i)(A) of Paramount Communications' post-effective amendment No. 3 to the registration statement on Form S-3 No. 2-83427).

\*(3)(b) -- Amended and restated By-laws.

- (4)(a) -- Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K as the authorized principal amount on any one of such issues does not exceed 10% of the total assets of Paramount Communications and its subsidiaries on a consolidated basis. Paramount Communications agrees to furnish a copy of each such instrument to the Commission upon request.
- (4)(b) -- Shareholder rights agreement dated as of September 7, 1988, as amended, between Paramount Communications Inc. and Chemical Bank, as Rights Agent (Incorporated by reference to Paramount Communications' registration statement on Form 8-A dated September 14, 1988 and to Amendment No. 1 to Form 8-A on Form 8 dated June 8, 1989, Amendment No. 2 to Form 8-A on Form 8-A/A dated September 22, 1993, Amendment No. 3 to Form 8-A on Form 8-A/A dated November 5, 1993, Amendment No. 4 to Form 8-A on Form 8-A/A dated November 15, 1993, Amendment No. 5 to Form 8-A on Form 8-A/A dated January 5, 1994, Amendment No. 6 to Form 8-A on Form 8-A/A dated January 31, 1994 and Amendment No. 7 to Form 8-A on Form 8-A/A dated March 2, 1994).
- (10)(i)(a) -- Amended and Restated Agreement and Plan of Merger, dated as of February 4, 1994, between Paramount Communications Inc. and Viacom Inc. (Incorporated by reference to Exhibit 105 of Amendment No. 34, dated February 7, 1994, to the Schedule 14D-9 filed by Paramount Communications Inc. with respect to the tender offer by Viacom Inc.).
- (10)(i)(b) -- Voting Agreement dated as of January 21, 1994, between National Amusements, Inc. and Paramount Communications Inc. (Incorporated by reference to Exhibit 81 of Amendment No. 28, dated January 24, 1994, to the Schedule 14D-9 filed by Paramount Communications Inc. with respect to the tender offer by Viacom Inc.).
- (10)(ii)(A)(1) -- Agreement, dated as of September 9, 1992, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- (10)(ii)(A)(2) -- Agreement, dated as of March 17, 1991, between Paramount Pictures Corporation and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(8) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1991).
- +(10)(iii)(A)(1) -- Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Martin S. Davis (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- +(10)(iii)(A)(2) -- Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Martin S. Davis (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1994).

- + (10)(iii)(A)(3) -- Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1991).
- + (10)(iii)(A)(4) -- Amendment, dated as of September 9, 1992, to the Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- + (10)(iii)(A)(5) -- Amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(6) -- Amendment, dated as of December 21, 1992, to the amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(iii)(A)(5) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(7) -- Agreement, dated as of January 12, 1993, between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1993).
- + (10)(iii)(A)(8) -- Amendment dated as of February 11, 1994, to the Agreement dated as of January 12, 1993 between Paramount Communications and Ronald L. Nelson (Incorporated by reference to Exhibit (10)(iii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1994).
- + (10)(iii)(A)(9) -- Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Donald Oresman (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).
- + (10)(iii)(A)(10) -- Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Donald Oresman (Incorporated by reference to Exhibit (10)(iii)(A)(3) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1994).



- + (10)(iii)(A)(11) -- Agreement, dated as of September 10, 1992, between Paramount Communications and Earl H. Doppelt (Incorporated by reference to Exhibit (10)(iii)(A)(7) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(12) -- Agreement, dated as of September 10, 1992, between Paramount Communications and Rudolph L. Hertlein (Incorporated by reference to Exhibit (10)(iii)(A)(8) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1992).
- + (10)(iii)(A)(13) -- Agreement, dated as of June 2, 1989, between Paramount Communications and Lawrence E. Levinson (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1989).
- + (10)(iii)(A)(14) -- Agreement, dated as of June 2, 1989, between Paramount Communications and Eugene I. Meyers (Incorporated by reference to Exhibit (10)(ii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1989).
- + (10)(iii)(A)(15) -- Agreement, dated as of February 25, 1992, between Paramount Communications and Jerry Sherman (Incorporated by reference to Exhibit (10)(ii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1992).
- + (10)(iii)(A)(16) -- Agreement, dated April 5, 1993, between Paramount Communications and Robert Greenberg (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1993).
- + (10)(iii)(A)(17) -- 1992 Stock Option Plan (the "1992 Plan") (Incorporated by reference to Exhibit I of Paramount Communications' Proxy Statement dated January 27, 1992 for the 1992 Annual Meeting of Stockholders).
- + (10)(iii)(A)(18) -- 1989 Stock Option Plan, as amended (the "1989 Plan") (Incorporated by reference to Exhibit (10)(iii)(A)(2) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1992).
- + (10)(iii)(A)(18)(a) -- Form of Stock Option Agreement pursuant to the 1989 Plan--Incentive Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(a) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(18)(b) -- Form of Stock Option Agreement pursuant to the 1989 Plan--Nonqualified Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(b) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).

- + (10)(iii)(A)(19) -- 1984 Stock Option Plan, as amended (the "1984 Plan") (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1992).
- + (10)(iii)(A)(19)(a) -- Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(a) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(19)(b) -- Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option with a Stock Appreciation Right (Incorporated by reference to Exhibit (10)(iii)(A)(1)(b) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(19)(c) -- Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option (Incorporated by reference to Exhibit (10)(iii)(A)(1)(c) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(19)(d) -- Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option with a Stock Appreciation Right (Incorporated by reference to Exhibit (10)(iii)(A)(1)(d) of Paramount Communications' Annual Report on Form 10-K for the three months ended October 31, 1985).
- + (10)(iii)(A)(20) -- 1973 Key Employees Stock Purchase Plan (Incorporated by reference to Exhibit (10)(c)(i) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended July 31, 1981).
- + (10)(iii)(A)(21) -- Amended and Restated Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended July 31, 1992).
- + (10)(iii)(A)(22) -- Deferred Compensation Plan for Board of Directors (Incorporated by reference to Exhibit (10)(iii)(A)(6) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended July 31, 1984).
- + (10)(iii)(A)(23) -- Long-Term Performance Plan, as amended (Incorporated by reference to Exhibit (10)(iii)(A)(6) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(24) -- Corporate Annual Performance Plan, as amended (Incorporated by reference to Exhibit (10)(iii)(A)(7) of Paramount Communications' Annual Report on Form 10-K for the fiscal year ended October 31, 1989).
- + (10)(iii)(A)(25) -- Retirement Plan for non-employee directors (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended January 31, 1990).

- +(10)(iii)(A)(26) -- Non-qualified retirement plan (Incorporated by reference to Exhibit (10)(iii)(A)(1) of Paramount Communications' Quarterly Report on Form 10-Q for the quarter ended April 30, 1991).
- \*(11) -- Computation of Earnings (Loss) per Share.
- \*(22) -- List of Subsidiaries.
- \*\* (24) -- Consent of Ernst & Young.
- \*(25) -- Powers of Attorney.
- (b) Registrant filed no reports on Form 8-K during the period covered by this report.

- -----
- \* These exhibits were previously filed as part of this Transition Report on Form 10-K for the six months ended April 30, 1993, as amended.
- \*\* Filed herewith.
- + This exhibit constitutes a management contract or compensatory plan or arrangement.

## SIGNATURES

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

PARAMOUNT COMMUNICATIONS INC.

Date: March 21, 1994

By /s/: RUDOLPH L. HERTLEIN

-----  
 Rudolph L. Hertlein  
 Senior Vice President and  
 Controller

## FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors  
Paramount Communications Inc.

We have audited the accompanying consolidated balance sheet of Paramount Communications Inc. as of April 30, 1993 and October 31, 1992 and 1991, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for the six-month period ended April 30, 1993 and for each of the three years in the period ended October 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paramount Communications Inc. at April 30, 1993 and October 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for the six-month period ended April 30, 1993 and for each of the three years in the period ended October 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Notes A and J, in the six-month period ended April 30, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." As discussed in Notes A and I, effective May 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes."

Ernst & Young

New York, New York  
August 27, 1993,  
except for Notes A and I, as to which the date is  
September 10, 1993

## SELECTED FINANCIAL DATA

The table below summarizes recent financial information for Paramount Communications. For further information, refer to the audited financial statements and the notes thereto contained elsewhere herein.

	Six Months Ended or at April 30		Year Ended or at October 31				
	1993	1992	1992	1991	1990	1989	1988
(Unaudited)							
(Dollar amounts in millions, except per share)							
Revenues	\$1,898.1	\$1,998.5	\$4,264.9	\$3,895.4	\$3,869.0	\$3,391.6	\$3,055.9
Earnings (loss) from continuing operations before income taxes	(16.8)	68.7	397.3	179.7	381.0	19.1	268.7
Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	(9.1)	48.7	274.2	127.6	264.4	17.3	152.8
Discontinued operations						1,453.9	231.9
Extraordinary item			(8.8)				
Cumulative effect of accounting changes	(66.9)					(56.5)	
Net earnings (loss)	(76.0)	48.7	265.4	127.6	264.4	1,414.7	384.7
Earnings (loss) per share							
Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	(.08)	.41	2.31	1.08	2.20	.14	1.27
Discontinued operations						12.12	1.94
Extraordinary item			(.08)				
Cumulative effect of accounting changes	(.57)					(.48)	
Net earnings (loss)	(.65)	.41	2.23	1.08	2.20	11.78	3.21
Cash dividends declared per common share	.40	.375	.775	.70	.70	.70	.675
Working capital	1,461.6		1,864.8	2,141.8	2,119.0	2,787.3	1,066.4
Total assets	6,874.8		7,057.0	6,654.7	6,541.0	7,060.0	5,378.1
Current maturities of long-term debt	109.8		10.0	198.3	21.7	20.6	117.2
Long-term debt, net of current maturities	707.3		812.1	519.9	712.1	723.8	1,390.3
Stockholders' equity	3,902.1		4,015.5	3,854.8	3,783.8	3,666.8	2,266.2
Book value per common share	33.01		34.19	32.73	32.24	30.56	19.50
Capital expenditures (including capitalized leases)	55.9		120.0	172.9	187.9	94.2	64.8
Number of common stockholders	26,000		26,000	29,000	30,000	30,000	31,000

Reference is made to Note A to the consolidated financial statements for a description of the accounting changes.

## CONSOLIDATED STATEMENT OF EARNINGS

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
(Unaudited) (In millions, except per share)					
REVENUES	\$1,898.1	\$1,998.5	\$4,264.9	\$3,895.4	\$3,869.0
Cost of goods sold	1,286.8	1,383.1	2,739.8	2,638.7	2,542.6
Selling, general and administrative expenses	621.4	537.6	1,129.0	1,098.9	1,022.2
	1,908.2	1,920.7	3,868.8	3,737.6	3,564.8
OPERATING INCOME (LOSS)	(10.1)	77.8	396.1	157.8	304.2
Other income (expense) -- Note C	(3.7)	(6.6)	(6.6)	0.1	(2.0)
Interest and other investment income (expense) -- net -- Note K					
Interest expense	(47.9)	(59.8)	(113.8)	(112.0)	(123.9)
Interest and other investment income	44.9	57.3	121.6	133.8	202.7
	(3.0)	(2.5)	7.8	21.8	78.8
EARNINGS (LOSS) BEFORE INCOME TAXES	(16.8)	68.7	397.3	179.7	381.0
Provision (benefit) for income taxes -- Notes A and I	(7.7)	20.0	123.1	52.1	116.6
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(9.1)	48.7	274.2	127.6	264.4
Extraordinary item -- Note D			(8.8)		
Cumulative effect of accounting change -- Note A	(66.9)				
NET EARNINGS (LOSS)	\$(76.0)	\$48.7	\$265.4	\$127.6	\$264.4
Average common and common equivalent shares outstanding -- Note A	118.8	119.0	119.2	118.5	120.1
Earnings (loss) per share -- Note A					
Earnings (loss) before extraordinary item and cumulative effect of accounting change	\$(.08)	\$.41	\$2.31	\$1.08	\$2.20
Net earnings (loss)	(.65)	.41	2.23	1.08	2.20

See notes to consolidated financial statements.

## FINANCIAL REPORTING BY BUSINESS SEGMENTS

A summary description of the Company's business segments is as follows. See Note M for additional disclosures related to business segments.

## ENTERTAINMENT

Produces, finances and distributes motion pictures, television programming and prerecorded videocassettes and operates motion picture theaters, independent television stations, sports and entertainment facilities and regional theme parks.

## PUBLISHING

Publishes and distributes hardcover and paperback books, educational textbooks and materials, and provides information services for business and professions.

## REVENUES AND OPERATING INCOME (LOSS)

	Revenues				
	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)				
	(In millions)				
Business Segments					
Entertainment	\$1,280.8	\$1,408.3	\$2,657.4	\$2,380.2	\$2,446.7
Publishing	617.3	590.2	1,607.5	1,515.2	1,422.3
Total	\$1,898.1	\$1,998.5	\$4,264.9	\$3,895.4	\$3,869.0

	Operating Income (Loss)				
	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)				
	(In millions)				
Business Segments					
Entertainment	\$121.9	\$164.9	\$279.6	\$66.2	\$212.5
Publishing	(90.9)	(55.0)	182.0	156.2	155.5
Total	31.0	109.9	461.6	222.4	368.0
Corporate Expenses	(41.1)	(32.1)	(65.5)	(64.6)	(63.8)
	\$(10.1)	\$77.8	\$396.1	\$157.8	\$304.2

During the six months ended April 30, 1993, the Company recorded a \$35-million and a \$5-million charge, respectively, against Publishing's operating loss and Corporate Expenses and during the year ended October 31, 1991, recorded a \$52-million charge against Entertainment's operating income. For further details related to these charges see Management's Discussion and Analysis.

Revenues by business segment include revenues that are directly associated with a particular segment. Revenues between business segments (amounts are insignificant), which are accounted for on substantially the same basis as revenues from unaffiliated customers, have been eliminated. No single customer accounts for 10% or more of consolidated revenues.

Export sales to unaffiliated customers were \$290.7, \$336.4 (unaudited), \$606.8, \$690.7 and \$609.2 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990. These sales were principally made in Europe, Asia and Canada.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

## RESULTS OF OPERATIONS

## ENTERTAINMENT

## SIX MONTHS 1993 VERSUS 1992

Revenues decreased 9% to \$1,280.8 million from \$1,408.3 million and operating income decreased 26% for the six months ended April 30, 1993, compared with the same prior-year period.

## Features

Revenues from features product decreased 28% in the six months ended April 30, 1993, to \$503.3 million from \$696.5 million. The theatrical revenue component of features declined 48% principally because of the release of fewer successful pictures. Home video revenues decreased 29% in the current-year period despite strong contributions from the domestic and foreign videocassette sales of Patriot Games, Star Trek VI: The Undiscovered Country and Boomerang, and the continued international success of Ghost. Pay cable revenues decreased 24% in the current six-month period because strong contributions from the availability of The Addams Family, Star Trek VI: The Undiscovered Country and Wayne's World were more than offset by the absence of recognition of additional license fees recorded in the prior-year six-month period for films made available in prior periods. Revenues from network features rose 61% because of the availability of more successful titles.

Features operating income decreased 94% in the current six-month period compared with the same prior-year period. Theatrical results declined primarily because of the release of fewer profitable pictures. Theatrical results included higher feature write-downs, primarily related to the releases of Leap of Faith, Jennifer Eight and The Temp, which more than offset contributions from the international box office performances of Patriot Games and Boomerang. Theatrical results also decreased in the current period due to the absence of recognition of a one-time payment received in the prior-year period in connection with the signing of a long-term film processing agreement, and from higher scenario reserves. Home video operations registered lower profits and pay cable results decreased in the current-year period primarily because of the decline in revenues described above. Operating income from network features rose primarily because of the increase in revenues. Income from domestic and international features syndication increased in the current-year period because of 30% higher revenues along with a more profitable mix of titles.

## Television

Television programming revenues increased 8%, to \$345.7 million in the six months ended April 30, 1993, compared with \$319.2 million for the same prior-year period. Revenues from the network series decreased 14% despite higher syndication sales of Cheers. Revenues from first-run series were up 19%; higher sales of Star Trek: The Next Generation, Entertainment Tonight and Hard Copy, along with contributions from Star Trek: Deep Space Nine, were partially offset by lower revenues from The Arsenio Hall Show.

Television programming results increased significantly, posting an operating profit in the current-year period compared with an operating loss in the same prior-year period. Profits from network series rose because of the aforementioned higher revenues from Cheers and the domestic licensing of Wings to USA Network. Income from first-run syndication increased, generated by the higher revenues previously noted. In addition, the current-year period reflects higher income from library products, principally Star Trek, as well as from television movies-of-the-week.

## Station and Network

Operating results at the Station and Network group declined 22% in the six months ended April 30, 1993. Paramount Stations Group registered higher profits, principally due to an 11% increase in revenues, to \$82.9 million from \$74.8 million resulting from higher advertising sales. At USA Networks (jointly owned with MCA Inc.), operating income declined primarily because of start-up costs incurred for the Sci-Fi Channel.

## Theaters

Theatrical exhibition revenues decreased 12% in the current-year period, to \$95.7 million from \$108.3 million. International theater operations recorded higher revenue primarily because of increased attendance levels, principally from operations in Europe. Revenues at Famous Players, the Company's Canadian chain, declined 16% in the current six-month period. At Cinamerica, the Company's 50%-owned domestic theater operation (jointly owned with Time Warner Inc.), results for the six months equaled the prior year. Theatrical exhibition operating income rose 28%, primarily because of the increase in revenues and profitability from international theater operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Madison Square Garden

Revenues for Madison Square Garden increased 9% in the current-year period, to \$203.4 million from \$185.8 million. The sports teams registered increased revenues of 6%, as higher ticket sales and National Basketball Association licensing and promotion revenues for the Knickerbockers were partially offset by lower revenues from the Rangers, where the absence of playoff income and the absence of league expansion revenues recorded in the prior-year period more than offset higher regular season ticket sales. The current period also included higher revenue from live entertainment events in the Arena as well as increased boxing telecast revenues and MSG Network affiliate sales.

Operating income decreased 12% in the current-year period, primarily due to lower results from the Rangers resulting from the decrease in revenues and higher team compensation. Results at MSG Network declined, as the increase in sales was more than offset by higher programming and operating expenses. These results were partially offset by higher income from the Knickerbockers and lower operating expenses.

## Paramount Parks

Results for the current period include modest seasonal losses from Paramount Parks, the Company's theme park operations, which were acquired in the fourth quarter of fiscal 1992. Paramount Parks' operating season began in late March 1993.

## FISCAL 1992 VERSUS FISCAL 1991

Revenues increased 12% to \$2,657.4 million from \$2,380.2 million and operating income increased 322% in fiscal 1992 compared with fiscal 1991. Results for the prior year included a \$52-million 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.

## Features

Revenues from features increased 6% to \$1,259.4 million in the year ended October 31, 1992 from \$1,190.3 million in the prior year. The theatrical revenue component of features declined 3% from those achieved in the comparable prior-year period, despite the strong domestic box office performance of Wayne's World, The Addams Family, Star Trek VI: The Undiscovered Country and Patriot Games, as well as the success of The Naked Gun 2 1/2: The Smell of Fear in foreign markets. Home video revenues in the current year equaled the prior year, benefiting from the release of Wayne's World and The Addams Family in the domestic videocassette market, sales of Ghost in the international videocassette market and The Naked Gun 2 1/2: The Smell of Fear in the domestic and foreign markets. Pay cable revenues increased 42% in fiscal 1992 principally because of the recognition of additional license fees for films made available in prior periods. Revenues from network features rose 14% in the current year, led by the availability of Indiana Jones and the Last Crusade.

Features recorded operating income in fiscal 1992 compared with an operating loss in fiscal 1991. Theatrical results for the current year increased significantly from those achieved in the prior year, primarily attributable to lower feature write-downs, the contributions from the performances of the above mentioned pictures, as well as lower scenario reserves and a one-time payment received in connection with the signing of a long-term film processing agreement. Home video operations registered higher profits in the current year, benefiting from the profitability of the aforementioned releases. Pay cable profitability increased significantly because of the higher revenues described above. Operating income from network features increased slightly in the current year on the increase in revenues. Domestic and international features syndication posted increased profits over the prior year because of 26% higher revenues on titles available for showing.

## Television

Television programming revenues increased 13% to \$655.0 million in fiscal 1992 from \$578.5 million in the prior-year. Revenues from first-run syndication increased 20%, as higher sales from Star Trek: The Next Generation, Entertainment Tonight, Hard Copy and The Maury Povich Show were partially offset by lower sales from Geraldo and The Arsenio Hall Show. Revenues from network series approximated the prior year. Television product also benefited from increased syndication and licensing revenues from library products, principally Star Trek.

Television programming profits were up 87% in fiscal 1992 from the prior year, led by the increases in revenues from first-run syndication and library products. These results were partially offset by a decline in income from network series, reflecting lower Cheers syndication renewal sales and increased investments in new programming.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Station and Network

Operating income at the Station and Network group rose 6% in fiscal 1992 compared to the prior year. Paramount Stations Group registered lower profits, primarily stemming from higher programming costs occasioned by the use of more conservative film amortization assumptions, which were partially offset by a 7% increase in revenues, to \$157.2 million from \$147.1 million resulting from higher advertising sales. Profits were higher at USA Networks because of increased revenues at USA Network, primarily due to higher advertising and affiliate revenues, which were partially offset by start-up costs incurred for the Sci-Fi Channel.

## Theaters

Theatrical exhibition revenues decreased 2%, from \$196.7 million in fiscal 1991 to \$192.7 million in fiscal 1992, stemming principally from lower attendance levels. Operating income declined 5%, primarily because of lower results at Cinamerica stemming principally from the decreased attendance levels. Additionally, results at Famous Players declined slightly. These results were partially offset by higher profits at international theater operations which benefited from continued circuit expansion, higher average admission and concession prices and increased attendance levels.

## Madison Square Garden

Revenues for Madison Square Garden increased by 28% in fiscal 1992, to \$288.9 million from \$225.6 million in fiscal 1991. The sports teams registered increased revenues of 26% because of higher ticket sales, additional playoff games, National Hockey League expansion revenues and National Basketball Association licensing and promotional revenues. Fiscal 1992 also included higher revenue from live entertainment events at The Paramount, higher suite license and concession revenues, improved revenues from SRO/Pace, increased MSG Network affiliate and advertising sales and revenues from the Democratic National Convention.

Madison Square Garden registered operating income in fiscal 1992 compared with an operating loss in fiscal 1991. Results for the Knickerbockers were up primarily because of increased revenues, which were partially offset by higher operating expenses. The Rangers registered lower profits; increased team compensation and higher operating expenses more than offset the increase in revenues. Results at MSG Network benefited from the increase in sales, which were partially offset by increases in programming and production costs. In addition to the increased profits arising from the other higher revenues described above, Madison Square Garden's results for fiscal 1992 include lower operating expenses.

## Paramount Parks

Operating results for the current year reflect contributions from Kings Entertainment Company and Kings Island Company, later renamed Paramount Parks, which were acquired in August and October 1992, respectively.

## FISCAL 1991 VERSUS FISCAL 1990

Revenues decreased 3% to \$2,380.2 million from \$2,446.7 million and operating income decreased 69% in fiscal 1991 compared with fiscal 1990. Results for fiscal 1991 included the \$52-million charge described above.

## Features

Revenues from features decreased 11%, to \$1,190.3 million in the year ended October 31, 1991 from \$1,330.2 million in the prior year. Theatrical revenues for fiscal 1991 decreased 17% from those achieved in the prior year because of a less successful product flow, despite the international box office performance and continued domestic success of Ghost and the release of The Naked Gun 2 1/2: The Smell of Fear in domestic and foreign theatrical markets. Home video revenues rose 5%, benefiting from strong videocassette sales of Ghost, The Hunt for Red October and Another 48 HRS. in both domestic and foreign markets. Pay cable revenues decreased 20%, domestic and international features syndication revenues fell 29% and sales of features to network television declined 28% because of the mix of available titles in fiscal 1991.

Features incurred operating losses in fiscal 1991 compared with operating income in fiscal 1990. Theatrical results for fiscal 1991 decreased from those achieved in the prior year because of lower revenues combined with an increase in feature write-downs, primarily related to the release of Flight of the Intruder, Frankie and Johnny, Almost an Angel, The Butcher's Wife and The Godfather Part III. However, theatrical results benefited from lower scenario reserves. Home video operations registered higher profits due to the increased revenues. Pay cable and domestic and international features syndication profits decreased due to the lower revenues and lower average profit rates of titles available for showing. Operating income

## MANAGEMENT'S DISCUSSION AND ANALYSIS

from network features declined in the current year because of the decrease in revenues. Results also include expenses related to a direct satellite pay-per-view service, in which the Company had an investment in fiscal 1991.

## Television

Revenues from television product declined 6% to \$578.5 million in fiscal 1991 from \$615.9 in the prior-year principally because of lower syndication sales of library product. Network series revenues increased 8%, as strong gains from the renewal of Cheers in syndication markets were partially offset by lower sales from MacGyver. In first-run syndication, revenues decreased 6% as higher sales from Entertainment Tonight and Star Trek: The Next Generation were more than offset by lower revenues from Geraldo and The Arsenio Hall Show.

Operating income from television product fell 58% principally because of the decline in syndication sales and profitability of library products along with lower income from Dear John and MacGyver.

## Station and Network

Station and Network group results rose 72% in fiscal 1991 compared to the prior year. Fiscal 1991 results reflect the consolidation of a full twelve months of operations versus six months in the prior year of the Paramount Stations Group (formerly TVX Broadcast Group Inc.), which was carried on an equity basis prior to May 1990. Profits at USA Network rose because of an increase in sales, which was primarily due to higher advertising and affiliate revenues, and settlement of outstanding litigation.

## Theaters

Theatrical exhibition revenues decreased 6%, to \$196.7 million from \$208.6 million in fiscal 1990. Revenues at Famous Players declined 11% primarily because of lower attendance levels and average admission prices. International theater operations posted 13% lower revenues despite the continued expansion of operations in the United Kingdom. Operating income decreased 18%. Results at Famous Players declined primarily because of lower revenues partially offset by lower film rental costs. Operating income from international theater operations declined because of the absence of gains recorded in the prior year on the sale of theater interests as well as operating losses in the current year attributable to the start-up of operations in Germany, partially offset by contributions from the aforementioned expansion in the United Kingdom. Cinamerica recorded increased profits because of higher average admission and concession prices, lower film rental and operating costs and a gain on the sale of theaters.

## Madison Square Garden

Revenues for Madison Square Garden increased by 20% in fiscal 1991, to \$225.6 million from \$188.0 million in fiscal 1990. MSG Network revenues increased as affiliate and advertising sales rose in fiscal 1991. Revenues for the Knickerbockers increased 5% as higher broadcast revenues and ticket sales were partially offset by the absence of league expansion revenues recorded in the prior year. The Rangers posted 19% higher revenues, primarily because of increased league expansion revenues and ticket sales. Madison Square Garden's results also include higher suite license revenues.

Madison Square Garden experienced an operating loss in fiscal 1991 compared with operating income in fiscal 1990. Higher revenues at MSG Network were more than offset by higher programming and operating costs. The Knickerbockers registered lower profits; increased team compensation, higher operating expenses and lower playoff income were partially offset by the increase in revenues. The Rangers posted improved profits, as higher revenues were partially offset by increased team compensation, higher operating expenses and lower playoff income. Fiscal 1991 operating results were negatively impacted by lower results from SRO/Pace, pre-opening advertising and promotional expenses for the renovated Madison Square Garden facility and higher operating expenses.

## PUBLISHING

## SIX MONTHS 1993 VERSUS 1992

Revenues for publishing operations rose 5% to \$617.3 million in the current period compared with \$590.2 million in the prior-year period. Publishing operations, which traditionally record profits in the quarters ended July 31 and October 31, posted 65% higher operating losses for the six months ended April 30, 1993, compared with the prior-year period. The current-year period includes a \$35-million charge, related to the write-down of certain real estate sites, expected to be sold, to fair value and relocation costs for several operating sites.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Consumer

Revenues increased 7% in the current-year period to \$178.2 million from \$167.0 million in the prior year; stronger frontlist and backlist sales of hardcover titles and increased international sales along with increased frontlist paperback sales, were partially offset by lower sales of children's books and backlist sales of certain reference books.

Consumer publishing posted higher operating results in the current-year period as increased revenues were partially offset by increased product support and development and operating expenses.

## Business, Technical and Professional

Revenues of \$154.5 million increased 6% from \$145.1 million in the prior-year period as higher sales of computer titles, multimedia programs and medical publications were partially offset by lower tax software and professional service revenues.

Operating income approximated the comparable year-earlier period as improved revenues were partially offset by increased product support and development and operating expenses.

## Education

Revenues rose slightly in the current-year period to \$226.2 million from \$224.9 million in the prior-year period. Elementary education revenues declined 3% from \$74.4 million to \$71.8 million as lower sales of prior years' programs and fewer new product releases were partially offset by increased sales of computer learning stations. At secondary education, revenues were flat as higher sales from social studies programs were more than offset by decreased sales in mathematics, science and language arts programs. Higher education revenues rose by 3% to \$133.8 million in the current-year period from \$129.7 million in the prior-year period because of increased sales of vocational books, from the success of new editions, and frontlist sales of college texts.

Operating losses increased 25% in the current-year period primarily because of increased seasonal operating losses at the elementary and secondary education groups. The slight improvement in education group revenues was more than offset by increased product support expenses, primarily due to the acceleration of promotional spending for elementary programs and increased state adoption opportunities for secondary programs, along with higher product development and operating expenses.

## International

Revenues of \$68.0 million improved 8% from \$63.2 million in the prior-year period from sales gains at all units, led by Asia, Canada, Mexico and Japan.

Operating income declined slightly despite the increased revenues, due to higher expenses.

Additionally, overall publishing operations benefited from lower corporate administrative expenses.

## FISCAL 1992 VERSUS FISCAL 1991

Revenues increased 6% to \$1,607.5 million in fiscal 1992 compared with \$1,515.2 million in fiscal 1991, while operating income rose 17%.

## Consumer

Revenues of \$387.2 million increased 6% from \$364.1 million in fiscal 1991 primarily because of a stronger publishing program of paperback books which resulted in higher sales of initial releases and reorders, combined with stronger frontlist and reorder sales and a greater number of bestsellers for hardcover titles and higher sales of certain reference titles.

Operating income rose 108% primarily because of the increased revenues.

## Business, Technical and Professional

Revenues rose 29% to \$320.1 million in fiscal 1992 from \$247.4 million in fiscal 1991 primarily because of contributions from recently acquired Prentice Hall Computer Publishing.

Operating income increased by 166% because of the higher revenues.

## Education

Revenues for fiscal 1992 of \$760.5 million were 2% lower compared with fiscal 1991. Elementary education group revenues declined by 9% to \$328.3 million from \$362.3 million in fiscal 1991 as decreased sales of textbooks, principally due to fewer adoption opportunities, reduced funding at the local and state levels and lower sales of prior years'

## MANAGEMENT'S DISCUSSION AND ANALYSIS

programs, as well as reduced sales from educational film and video products, were partially offset by sales increases on volume growth of learning stations and increased frontlist sales of workbooks and kits. Secondary education revenues decreased by 2% to \$133.4 million in the current year principally due to fewer adoption opportunities. Revenues of \$298.8 million at higher education rose 6% in the current year from \$280.9 million in fiscal 1991 because of strong sales gains from college books, reflecting the effect of volume improvements, and vocational publications.

Operating income increased 5% as decreased revenues were more than offset by lower product support and operating expenses, despite expansion costs incurred in anticipation of planned growth at Computer Curriculum Corporation.

## International

Revenues improved by 12% in the current year to \$154.9 million from \$138.7 million in the prior year primarily because of sales gains from acquired Prentice Hall Computer Publishing titles as well as volume improvements of locally produced products.

Operating income rose by 20% as improved revenues were partially offset by increased product support and development and operating expenses incurred primarily to service and promote the acquired Prentice Hall Computer Publishing products.

Additionally, overall publishing operations reflect higher corporate administrative expenses.

## FISCAL 1991 VERSUS FISCAL 1990

Revenues improved by 7% to \$1,515.2 million from \$1,422.3 million in fiscal 1990, while operating income increased slightly in fiscal 1991 compared with fiscal 1990.

## Consumer

Revenues of \$364.1 million increased 7% from \$340.0 million in fiscal 1990 because of higher sales of paperback reorders and initial releases and a strong frontlist performance of hardcover titles.

Operating income decreased by 21% as higher sales were more than offset by a corresponding increase in revenue related expenses, primarily operating and product development expenses and lower distribution fees.

## Business, Technical and Professional

Revenues of \$247.4 million equalled the prior year as lower software license and service fees and lower sales resulting from the timing of the release of 1991 annual editions, were offset by increased subscription sales at Bureau of Business Practice.

Operating income declined 29% because of higher operating and product development expenses which were partially offset by lower product support expenses, primarily at professional publishing.

## Education

Revenues increased 7% to \$779.5 million in fiscal 1991 compared with \$725.7 million in fiscal 1990. Elementary education revenues were \$362.3 million in fiscal 1991 or 9% higher than the \$331.9 million achieved in fiscal 1990 because of strong sales of current-year programs, primarily math, science, social studies and reading, along with the inclusion of a full twelve months of operations versus eight months in the prior year from Computer Curriculum Corporation, which was acquired in March 1990. Secondary education revenues rose 6% to \$136.3 million from \$128.5 million because of sales gains in language arts and social studies due to increased state adoptions. Higher education posted a 6% increase in revenues of \$280.9 million in fiscal 1991 versus \$265.3 million in fiscal 1990 on sales gains stemming principally from college books and vocational publications.

Operating income decreased 4% as improved revenues were more than offset by increased product support and development and operating expenses, due in part to expansion costs at Computer Curriculum Corporation incurred in anticipation of planned growth, along with lower profits from the group's educational film and video operations.

## International

Revenues of \$138.7 million rose 8% from \$128.8 million in fiscal 1990 as higher educational sales, primarily from the United Kingdom, Asia, Australia and Mexico more than offset lower Canadian trade sales.

Profits from international operations decreased slightly as increased sales were more than offset by higher product support and development expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Additionally, overall publishing operations reflect lower corporate administrative expenses.

## INTEREST AND OTHER INVESTMENT INCOME

## (EXPENSE) -- NET

Net interest and other investment expense increased slightly in the current six months ended April 30, 1993, compared with the same prior-year period. The current six-month period benefited from lower interest expense primarily because lower average effective interest rates on the Company's debt more than offset the effect of higher average debt outstanding. Interest and other investment income declined in the current six-month period due to lower average cash equivalents and short-term investments. The lower average cash equivalents and short-term investments were primarily a result of acquisitions, the repurchase of shares of the Company's Common Stock and the funding of the working capital requirements of the Company.

In addition to the results of the operating units, earnings reflect lower net interest and other investment income for the year ended October 31, 1992 compared with 1991, and 1991 compared with 1990. These decreases stem from lower average cash equivalents, short-term investments and interest rates. The lower average cash equivalents and short-term investments were primarily a result of expenditures for acquisitions, the repurchase of shares of the Company's Common Stock and the funding of the working capital requirements of the Company, and in 1991, because of a March 1990 income tax payment related to the October 1989 sale of Associates First Capital Corporation, the Company's former consumer/commercial finance business, and a reduction of outstanding debt.

## OTHER

The pre-tax loss of \$16.8 million in the six months ended April 30, 1993 gives rise to an income tax benefit at an effective rate of 45.8%. For the comparable prior year period, the effective rate for income taxes on pre-tax earnings of \$68.7 million was 29.1%. The increase in the effective rate is the result of less income subject to tax at lower foreign rates, increases in income subject to state and local income taxes and the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Corporate expenses include a \$5-million charge in the current six-month period in connection with the Company's planned relocation of its corporate headquarters.

## LIQUIDITY AND CAPITAL RESOURCES

The Company depended primarily on internal cash flow and external borrowings to finance its operations during the six months ended April 30, 1993, and expects to continue to do so. In connection with the tender offers and merger proposals described in Note 0 to the consolidated financial statements, subsequent to its January 1994 dividend, the Company has discontinued its regular quarterly dividend payment.

In May 1993, the Company 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. The Company subsequently liquidated Paramount Canada's Wonderland debt obligations of approximately \$31 million. In June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. This agreement was terminated in October 1993. In September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million. In February 1994, the Company acquired Macmillan Publishing Company and certain other assets of Macmillan Inc., a leading book publisher, for approximately \$553 million.

The Company 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In July 1993, the Company redeemed \$100 million of 8 1/2% senior notes due 1996. Also, in July 1993, the Company completed a public offering of \$150 million of 5 7/8% senior notes due 2000 and \$150 million of 7 1/2% senior debentures due 2023. A portion of the net proceeds was used to refinance the previously mentioned redemption of the Company's 8 1/2% senior notes. The remainder of such proceeds were used to fund the acquisitions of television station WKBD-TV in Detroit and the remaining 80% interest in Paramount Canada's Wonderland theme park. During the current six-month period, the Company purchased 0.6 million shares of its Common Stock under a 10-million share repurchase program announced in May 1988, leaving 2.6 million remaining shares authorized under the program. Total debt as a percentage of total capitalization was 17% at April 30, 1993 and October 31, 1992. In the past, the Company has been able to increase its borrowings as required and expects to be able to continue to do so.

Trade receivables decreased at April 30, 1993 compared to October 31, 1992 by 15%, which is principally attributable to the Company's publishing operations. Educational publishing, which normally contributes more than half of annual publishing revenues, records most of its sales in the Company's July and October quarters, corresponding to the typical school-year buying cycle.

Total inventories increased 17% at April 30, 1993 compared with October 31, 1992; 65% of this increase is attributable to Paramount Pictures due to production of first-run and network television-series product. In addition, 20% of the overall increase was attributable to New York Yankees broadcast rights payments at Madison Square Garden in connection with the 1993 major league baseball season.

The balance sheet at October 31, 1992, reflects the acquisitions of Paramount Parks and Prentice Hall Computer Publishing, resulting in significant changes in certain balance sheet accounts as compared to October 31, 1991.

Capital expenditures amounted to \$56, \$69, \$120, \$168 and \$187 million for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990, respectively.

## ACCOUNTING CHANGES

Effective November 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Company's previous practice was to recognize the cost of such postretirement benefits when paid.

The Company 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, or \$.57 per share. For further detail, see Notes A and J to the consolidated financial statements.

In February 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to decrease the loss before cumulative effect of accounting change and net loss by \$1.8 million (\$.01 per share) for the six months ended April 30, 1993; increase earnings before extraordinary item and net earnings by \$4.0 million (\$.04 per share) for the year ended October 31, 1992; and, increase net earnings by \$5.4 million (\$.05 per share), \$5.3 million (\$.04 per share) and \$2.0 million (\$.02 per share) for the years ended October 31, 1991 and 1990 and the six months ended April 30, 1992, respectively. The cumulative effect of adopting SFAS No. 109 as of October 31, 1989, decreased the beginning balance of 1990's retained earnings by \$50.7 million.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are



## MANAGEMENT'S DISCUSSION AND ANALYSIS

expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated. For further detail, see Notes A and I to the consolidated financial statements.

## EFFECTS OF ACCOUNTING FOR

## POSTEMPLOYMENT BENEFITS

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which is effective for the Company in the year ending April 30, 1995. Under this statement, the cost of benefits provided to employees after employment but before retirement is to be recognized in the financial statements on an accrual basis during the service period of the employee. It is expected that implementation of this statement will not have a material impact on the financial statements of the Company.

## ACCOUNTING FOR CERTAIN INVESTMENTS IN

## DEBT AND EQUITY SECURITIES

In May 1993, the Financial Accounting Standards Board issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which is effective for the Company in the year ending April 30, 1995. This statement sets forth the accounting for certain investments in debt and equity securities based upon management's ability and intent, at the time of purchase, to trade, hold to maturity or make available for sale such investments. The effect of this statement at the time of adoption will depend upon the Company's ability and intent with respect to such investments.

## EFFECTS OF BUDGET

## RECONCILIATION ACT OF 1993

In August 1993, the Budget Reconciliation Act of 1993 (the "Act") was enacted into law. One of the provisions of the Act increased the corporate income tax rate to 35% effective January 1, 1993. This increase, from the previous 34% rate, had no material effect on the Company. The Company expects to benefit from a section of the Act permitting tax deductions derived from the amortization of certain intangible assets acquired after July 25, 1991, which deductions have not previously been claimed on tax returns filed by the Company. However, the Company believes that any tax benefits generated by the amortization of intangible assets previously acquired by it will not be material.

Furthermore, to the extent that the Company is affected by several other provisions of the Act, the results should not be material.

## CONSOLIDATED BALANCE SHEET

	April 30		October 31
	----- 1993	----- 1992	----- 1991
----- (In millions) -----			
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents -- Notes A and L	\$372.6	\$324.3	\$555.3
Short-term investments -- Notes A and L	569.7	912.0	1,020.7
Trade receivables -- net -- Note K	829.6	972.9	904.1
Inventories -- Notes A and E	617.3	580.2	590.4
Prepaid income taxes	131.7	139.7	115.4
Prepaid expenses and other -- Note K	400.2	342.7	407.9
	-----	-----	-----
TOTAL CURRENT ASSETS	2,921.1	3,271.8	3,593.8
-----			
PROPERTY, PLANT AND EQUIPMENT -- Note A			
Land	210.8	210.4	130.8
Buildings	591.4	590.6	537.3
Machinery, equipment and other	606.9	573.8	358.2
	-----	-----	-----
Less allowance for depreciation	1,409.1	1,374.8	1,026.3
	336.1	315.5	268.2
	-----	-----	-----
	1,073.0	1,059.3	758.1
-----			
OTHER ASSETS			
Investment in affiliated companies -- Notes A and F	243.9	228.9	204.4
Noncurrent receivables and inventories -- Notes A and E	689.8	604.7	483.0
Intangible assets -- net -- Note A	1,517.5	1,528.1	1,239.3
Deferred costs and other -- Note A	429.5	364.2	376.1
	-----	-----	-----
	2,880.7	2,725.9	2,302.8
	-----	-----	-----
	\$6,874.8	\$7,057.0	\$6,654.7
-----			
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Current maturities of long-term debt	\$109.8	\$10.0	\$198.3
Trade accounts payable	194.7	143.7	119.8
Income taxes payable	26.6	139.2	131.4
Accrued expenses and other -- Notes K and L	1,128.4	1,114.1	1,002.5
	-----	-----	-----
TOTAL CURRENT LIABILITIES	1,459.5	1,407.0	1,452.0
-----			
DEFERRED LIABILITIES -- Note K	805.9	822.4	828.0
LONG-TERM DEBT, net of current maturities -- Notes A, G and L	707.3	812.1	519.9
STOCKHOLDERS' EQUITY -- Note H			
Common Stock, recorded at \$1.00 par value; 600,000,000 shares authorized; shares outstanding, 118,199,396 at April 30, 1993 (excluding 29,665,980 shares held in treasury), 117,459,926 at October 31, 1992 (excluding 30,405,450 shares held in treasury) and 117,757,018 at October 31, 1991 (excluding 30,108,358 shares held in treasury)	118.2	117.5	117.8
Paid-in surplus	712.8	665.7	629.5
Retained earnings -- Notes A, F and I	3,082.5	3,228.6	3,096.4
Cumulative translation adjustments	(11.4)	3.7	11.1
	-----	-----	-----
	3,902.1	4,015.5	3,854.8
	-----	-----	-----
	\$6,874.8	\$7,057.0	\$6,654.7
-----			

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Three Years and Six Months Ended April 30, 1993				
	Common Stock	Paid-in Surplus	Retained Earnings	Cumulative Translation Adjustments	Total Stockholders' Equity
(In millions)					
BALANCE AT OCTOBER 31, 1989, NET OF TREASURY					
-- AS REPORTED	\$120.0	\$539.0	\$3,054.7	\$3.8	\$3,717.5
Cumulative effect of accounting change					
-- Note A			(50.7)		(50.7)
BALANCE AT OCTOBER 31, 1989, NET OF TREASURY					
-- AS ADJUSTED	120.0	539.0	3,004.0	3.8	3,666.8
Common Stock issued					
Exercise of stock options and grants to employees	0.4	37.6			38.0
Dividend reinvestment and stock purchase plan	0.1	3.1			3.2
Acquisition of stock for the treasury	(3.1)	(14.6)	(110.0)		(127.7)
Common Stock dividends (\$.70 per share)			(83.4)		(83.4)
Translation adjustments				11.7	11.7
Tax benefit from exercise of stock options		10.8			10.8
Net earnings for the year			264.4		264.4
BALANCE AT OCTOBER 31, 1990, NET OF TREASURY	117.4	575.9	3,075.0	15.5	3,783.8
Common Stock issued					
Exercise of stock options and grants to employees	1.0	51.8			52.8
Dividend reinvestment and stock purchase plan	0.1	3.3			3.4
Acquisition of stock for the treasury	(0.7)	(3.7)	(23.8)		(28.2)
Common Stock dividends (\$.70 per share)			(82.4)		(82.4)
Translation adjustments				(4.4)	(4.4)
Tax benefit from exercise of stock options		2.2			2.2
Net earnings for the year			127.6		127.6
BALANCE AT OCTOBER 31, 1991, NET OF TREASURY	117.8	629.5	3,096.4	11.1	3,854.8
Common Stock issued					
Exercise of stock options and grants to employees	0.7	38.1			38.8
Dividend reinvestment and stock purchase plan	0.1	3.6			3.7
Acquisition of stock for the treasury	(1.1)	(6.4)	(41.7)		(49.2)
Common Stock dividends (\$.775 per share)			(91.5)		(91.5)
Translation adjustments				(7.4)	(7.4)
Tax benefit from exercise of stock options		0.9			0.9
Net earnings for the year			265.4		265.4
BALANCE AT OCTOBER 31, 1992, NET OF TREASURY	117.5	665.7	3,228.6	3.7	4,015.5
Common Stock issued					
Exercise of stock options and grants to employees	1.3	41.6			42.9
Dividend reinvestment and stock purchase plan		1.9			1.9
Acquisition of stock for the treasury	(0.6)	(3.5)	(22.9)		(27.0)
Common Stock dividends (\$.40 per share)			(47.2)		(47.2)
Translation adjustments				(15.1)	(15.1)
Tax benefit from exercise of stock options		7.1			7.1
Net loss for the six months ended April 30, 1993			(76.0)		(76.0)
BALANCE AT APRIL 30, 1993, NET OF TREASURY	\$118.2	\$712.8	\$3,082.5	\$(11.4)	\$3,902.1

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
(Unaudited)					
(In millions)					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Earnings (loss) before extraordinary item and cumulative effect of accounting change	\$ (9.1)	\$ 48.7	\$ 274.2	\$ 127.6	\$ 264.4
Non-cash expenses					
Depreciation	37.1	35.2	71.7	59.1	45.8
Deferred income taxes	28.9	1.0	(3.2)	(37.5)	23.1
Amortization of intangible assets	4.3	4.0	44.4	39.2	33.6
Amortization of pre-publication costs	24.0	23.5	87.0	88.0	67.2
Provision for real estate write-down and relocation	40.0				
Undistributed net earnings of unconsolidated affiliates	(11.3)	(14.1)	(19.7)	(15.7)	(31.2)
Theatrical and television inventories and broadcast rights					
Gross additions	(526.8)	(472.0)	(909.6)	(953.6)	(863.7)
Amortization	387.0	413.7	834.7	945.2	836.3
Decrease (increase) in network features and syndication licenses	4.2	(66.5)	(78.2)	(47.1)	(117.5)
Increase in pre-publication costs	(39.6)	(44.9)	(87.7)	(77.8)	(110.1)
Decrease (increase) in trade receivables	194.6	162.7	(8.4)	(44.6)	1.0
Decrease (increase) in inventories (other than theatrical and television)	(23.5)	(11.9)	19.4	19.2	(15.0)
Decrease (increase) in prepaid expenses	(67.6)	31.2	(13.4)	(45.0)	(21.8)
Increase (decrease) in trade accounts payable	51.0	(3.4)	8.5	(24.3)	24.9
Increase (decrease) in income taxes payable (including \$667.4 million in 1990 related to gain on sale of business)	(112.6)	(41.7)	12.4	(29.8)	(634.7)
Increase (decrease) in accrued expenses and other	(50.7)	(19.6)	34.4	(10.3)	(76.4)
Other -- net	(91.1)	(66.4)	(48.4)	91.7	93.9
<b>NET CASH FLOWS PROVIDED FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>(161.2)</b>	<b>(20.5)</b>	<b>218.1</b>	<b>84.3</b>	<b>(480.2)</b>
<b>CASH FLOWS FROM INVESTMENT AND OTHER ACTIVITIES</b>					
Expenditures for property, plant and equipment (excluding capitalized leases)	(55.9)	(68.8)	(120.0)	(167.5)	(186.7)
Proceeds on disposal of property, plant and equipment	1.1	5.2	11.8	2.2	2.6
Purchase price of acquired businesses (net of acquired cash)	(0.1)	(161.5)	(585.1)	(86.9)	(220.9)
Decrease (increase) in investment in affiliated companies	(3.7)	13.3	10.8	8.3	
Decrease (increase) in short-term and other investments	317.1	114.3	209.0	(467.1)	(476.8)
Increase in investments maturing after one year				(43.6)	(211.0)
Decrease in investments maturing after one year		25.6	49.1	205.5	
Decrease in notes receivable	1.3	4.7	8.9	17.3	515.8
<b>NET CASH FLOWS PROVIDED FROM (USED FOR) INVESTMENT AND OTHER ACTIVITIES</b>	<b>259.8</b>	<b>(67.2)</b>	<b>(415.5)</b>	<b>(531.8)</b>	<b>(577.0)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds of long-term debt		245.7	492.4		
Payments of long-term debt	(5.9)	(214.5)	(395.7)	(26.9)	(138.1)
Loss on early extinguishment of debt			(13.4)		
Issuance of Common Stock (excluding grants to employees)	29.8	9.8	23.8	14.5	13.4
Acquisition of stock for the treasury	(27.0)	(0.7)	(49.2)	(15.2)	(142.3)
Dividends	(47.2)	(44.2)	(91.5)	(82.4)	(83.4)
<b>NET CASH FLOWS USED FOR FINANCING ACTIVITIES</b>	<b>(50.3)</b>	<b>(3.9)</b>	<b>(33.6)</b>	<b>(110.0)</b>	<b>(350.4)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>48.3</b>	<b>(91.6)</b>	<b>(231.0)</b>	<b>(557.5)</b>	<b>(1,407.6)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>324.3</b>	<b>555.3</b>	<b>555.3</b>	<b>1,112.8</b>	<b>2,520.4</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$372.6</b>	<b>\$463.7</b>	<b>\$324.3</b>	<b>\$555.3</b>	<b>\$1,112.8</b>

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE A-- SIGNIFICANT ACCOUNTING POLICIES

## Principles of Consolidation

The consolidated financial statements include the accounts of Paramount Communications Inc. (Company) and its majority-owned affiliates. The Company's investments in its 20-50% owned investees are carried on the equity basis. The income taxes of the investees are included in the provision for income taxes.

Certain amounts in the consolidated financial statements for periods prior to April 30, 1993 have been reclassified to conform to current presentation for comparative purposes.

## Accounting Changes

Effective November 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Company's previous practice was to recognize the cost of such postretirement benefits when paid.

The Company 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, or \$.57 per share. The incremental effect of this accounting change on each of the quarters in the six months ended April 30, 1993 was to increase net periodic postretirement benefit cost by approximately \$2.6 million on a pre-tax basis.

In February 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to decrease the loss before cumulative effect of accounting change and net loss by \$1.8 million (\$.01 per share) for the six months ended April 30, 1993; increase earnings before extraordinary item and net earnings by \$4.0 million (\$.04 per share) for the year ended October 31, 1992; and, increase net earnings by \$5.4 million (\$.05 per share), \$5.3 million (\$.04 per share) and \$2.0 million (\$.02 per share - unaudited) for the years ended October 31, 1991 and 1990 and the six months ended April 30, 1992, respectively. The cumulative effect of adopting SFAS No. 109 as of October 31, 1989, decreased the beginning balance of 1990's retained earnings by \$50.7 million.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

## Change in Fiscal Year End

In June 1993, the Board of Directors approved a change in the Company's fiscal year end to April 30 from October 31.

## Cash and Cash Equivalents

Cash equivalents consist of highly liquid instruments with original maturities of three months or less.

## Short-Term Investments

Short-term investments consist of instruments with original maturities in excess of three months and are carried at cost, which approximates market.

## Inventories

Inventories are generally determined using the lower of cost (first-in, first-out or average cost method) or net realizable value.

## Theatrical and Television Inventories, Revenues and Costs

Feature films are produced or acquired for distribution, normally, first in the theatrical market followed by videocassettes, pay cable, network television and syndicated television. On average, the length of the revenue cycle for feature films approximates four years. Theatrical revenues from domestic and foreign markets are recognized as films are exhibited, revenues from the sale of videocassettes are recognized upon delivery of the merchandise and revenues from all television sources are recognized upon availability of the film for telecast.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories related to theatrical and television product (which include direct production costs, production overhead, capitalized interest, and acquisition costs) are stated at the lower of cost less amortization or net realizable value. Inventories are amortized and participations and residuals are accrued on an individual product basis in the proportion that current revenues bear to the estimated remaining total lifetime revenues. Domestic syndication and basic cable revenue estimates are not included in the estimated lifetime revenues of network series until such sales are probable. Estimates of total lifetime revenues and expenses are periodically reviewed. The costs of feature and television films are classified as current assets to the extent such costs are expected to be recovered through the respective primary markets. Other costs relating to film production are classified as noncurrent.

The Company estimates that approximately 94% of unamortized film costs at April 30, 1993 will be amortized within the next three years.

## Publishing Revenue Recognition

The Company's publishing segment follows standard industry practice of recognizing revenue when merchandise is shipped and billed.

## Broadcast Rights

Broadcast rights are recorded when the license period begins and the program becomes available for use, and are stated at the lower of cost less amortization or net realizable value. Broadcast rights for feature films and syndicated programs are amortized using the straight-line method based on program usage. Sports rights are generally charged to expense when the event is telecast. Contract payments are generally made in installments over a term somewhat shorter than the contract.

## Property, Plant and Equipment

Property, plant and equipment are carried at cost. Provision for depreciation on substantially all depreciable assets is computed using the straight-line method over the estimated useful lives of the assets.

## Intangible Assets

Intangible assets primarily represent the excess of cost of purchased businesses over the value of their net underlying assets (goodwill) and are being amortized annually by the straight-line method over appropriate periods not exceeding forty years. Intangible assets are net of accumulated amortization of \$233.9, \$230.1 and \$186.0 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

## Deferred Costs and Other

Deferred costs and other includes certain pre-publication costs being amortized annually by the straight-line method or an accelerated basis over appropriate periods, the majority of which is four years.

## Unamortized Debt Discount

Debt discount is amortized over the term of the related debt using the interest method.

## Income Taxes

Provision for income taxes includes deferred taxes which represent future tax effects of items reported for income tax purposes in periods different than for financial purposes.

## Deferred Off-Season Theme Park Expenses

Certain expenses incurred in the off-season to prepare the theme parks for the operating season are deferred and amortized over the subsequent operating season, which generally begins in March and finishes in October.

## Earnings (Loss) Per Share

Earnings (loss) per share amounts are based on the weighted average common and dilutive common equivalent (stock options) shares outstanding during the respective periods. Earnings (loss) per share are computed by dividing the average common and, where dilutive, common equivalent shares outstanding into the earnings (loss) applicable to such shares.

## NOTE B -- ACQUISITION AND DISPOSITION OF BUSINESSES

In August and October 1992, the Company 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The acquisitions are being accounted for as purchases and the financial statements include the results of their operations from the dates of acquisition.

The following table summarizes, on a pro forma basis, the combined results of operations as though Kings Entertainment Company, Kings Island Company and Macmillan Computer Publishing had been acquired on November 1, 1990. It includes estimated amounts for a reduction of interest income due to the use of short-term investments for the acquisitions, amortization of estimated intangible assets, additional depreciation expense and an adjustment for income taxes, at the statutory rate. These pro forma results do not necessarily reflect the actual results of operations as they would have been had the acquisitions taken place on that date, nor are they necessarily indicative of future results.

	Year Ended October 31	
	1992	1991
(In millions, except per share)		
(Unaudited)		
Revenues	\$4,464.1	\$4,203.5
Earnings before extraordinary item	277.7	133.2
Net earnings	268.9	133.2
Earnings per share		
Earnings before extraordinary item	2.34	1.13
Net earnings	2.26	1.13

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

In December 1989, the Company 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. The Company also acquired PSG debt obligations for approximately \$34 million. In April 1990, the Company was granted the right by the Federal Communications Commission to assume control of PSG. The Company did so by converting preferred stock into common stock and, consequently, began reflecting its operations on a consolidated basis. In July and October 1990, the Company purchased additional shares of PSG stock for \$3.5 million and \$4.3 million, respectively. In February 1991, the Company, through a merger, acquired the remaining outstanding shares of PSG for approximately \$62 million.

In May 1993, the Company 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 June 1993, the Company announced it signed a definitive agreement to purchase television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million; this acquisition was completed in September 1993.

During the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990, the Company also acquired or sold certain other businesses. The contributions of these businesses in the aggregate were not significant to the Company's results of operations for the periods presented, nor are they expected to have a material effect on the Company's results on a continuing basis.

## NOTE C -- OTHER INCOME (EXPENSE)

Other income (expense) includes foreign exchange gains (losses), minority interest and other.

## NOTE D -- EXTRAORDINARY ITEM

In September 1992, the Company redeemed \$175 million of 9 3/4% senior debentures due 2016 for \$1,061.25 per \$1,000 principal amount. The premium paid by the Company and the write-off of related unamortized discount and issuance costs resulted in a loss of \$8.8 million, net of an income tax benefit of \$4.6 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE E -- INVENTORIES

Inventories as described in Note A are stated as follows  
(in millions):

	April 30 ----- 1993	----- 1992	October 31 ----- 1991
<b>CURRENT</b>			
Finished goods	\$248.3	\$230.1	\$229.8
Work in process	12.8	10.6	20.3
Materials and supplies	29.5	26.4	20.8
	-----	-----	-----
	290.6	267.1	270.9
<b>Theatrical and television productions</b>			
Released	176.9	169.1	161.2
Completed, not released	32.7	35.7	43.3
In process and other	61.8	75.9	84.4
	-----	-----	-----
	271.4	280.7	288.9
<b>Broadcast rights</b>			
	55.3	32.4	30.6
	-----	-----	-----
	617.3	580.2	590.4
<b>NONCURRENT</b>			
<b>Theatrical and television productions</b>			
Released	155.3	103.9	71.1
In process and other	247.0	174.8	119.2
	-----	-----	-----
	402.3	278.7	190.3
<b>Broadcast rights</b>			
	107.0	104.4	111.5
	-----	-----	-----
	509.3	383.1	301.8
	-----	-----	-----
	\$1,126.6	\$963.3	\$892.2

NOTE F--INVESTMENT IN  
AFFILIATED COMPANIES

Investments in affiliated companies primarily include the Company's interest in USA Networks, national advertiser-supported basic cable television networks (50% owned); Cinamerica, a domestic motion picture theater operation (50% owned); United Cinemas International Multiplex B.V., engaged in theatrical exhibition of motion pictures in the United Kingdom, Ireland, Germany and Spain (49% owned); Cinema International Corporation N.V., which owns motion picture screens in seven countries (49% owned); and as of August 1992, Canada's Wonderland, Inc., a Canadian theme park (20% owned).

Summarized financial information for the above companies is as follows  
(in millions):

	Six Months Ended or at April 30		Year Ended or at October 31		
	1993	1992	1992	1991	1990
	-----				
	(Unaudited)				
Revenues	\$372.6	\$354.7	\$783.2	\$683.0	\$548.3
Gross profit	129.0	139.8	321.6	226.3	208.3
Net earnings	36.2	49.3	83.2	74.4	52.1
Current assets	\$326.7		\$337.8	\$227.8	
Noncurrent assets	855.8		934.2	741.2	
Current liabilities	223.7		248.8	167.6	
Noncurrent liabilities	493.4		595.4	430.4	

Included in the operating income of the Company's Entertainment operations are equity in earnings for the above affiliated companies of \$24.0, \$34.1 (unaudited), \$58.7, \$47.6 and \$43.7 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990. Dividends received from these affiliated companies were \$7.8, \$10.5 (unaudited), \$22.0, \$32.5 and \$10.8 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

Included in consolidated retained earnings at April 30, 1993 is \$161.7 million of undistributed earnings of affiliates.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE G-- LONG-TERM DEBT

Long-term debt includes (in millions):

	April 30	October 31	
	-----	-----	-----
	1993	1992	1991
8-1/2% senior notes due 1996 (prepaid July 1993)	\$99.8	\$99.8	\$99.7
7-1/2% senior notes due 2002	246.3	246.0	
8-1/4% senior debentures due 2022	246.8	246.7	
11-5/8% senior notes due 1992			125.0
9.55% note payable to an institutional investor due 1999 (prepaid 1992)			62.6
9-3/4% senior debentures due 2016 (prepaid 1992)			173.6
12-3/8% subordinated notes due 1995 (prepaid 1992)			19.5
7% subordinated debentures due 2003, net of unamortized discount of \$53.7 at April 30, 1993, \$55.1 at October 31, 1992 and \$57.8 at October 31, 1991 (effective average interest rate of 11%)	177.7	176.3	173.6
Other notes and debentures due 1993 to 1996 (effective average interest rate of 8.22%)	12.2	12.2	17.4
Obligations under capital leases	34.3	41.1	46.8
	-----	-----	-----
	817.1	822.1	718.2
Less current maturities	109.8	10.0	198.3
	-----	-----	-----
	\$707.3	\$812.1	\$519.9

Maturities of long-term debt (including the present value of obligations under capital leases as set forth in Note J) during the five years ending April 30, 1998 are (in millions):

1994	\$109.8
1995	10.7
1996	20.1
1997	3.1
1998	0.4

The Company has complied with restrictions and limitations required under terms of various loan agreements.

In July 1993, the Company completed a public offering of \$150 million of 5 7/8% senior notes due 2000 and \$150 million of 7 1/2% senior debentures due 2023.

## NOTE H -- CAPITAL STOCK

The authorized capital stock of the Company includes 75,000,000 shares of Preferred Stock, all of which are undesignated.

Each share of Common Stock outstanding has a related Common Stock purchase right which will become exercisable after a specified period of time only if a person or group acquires beneficial ownership of 15% or more of the outstanding Common Stock of the Company or announces or commences a tender or exchange offer that would result in the offeror acquiring 30% or more of the Company's Common Stock. Once exercisable, each right would entitle its registered holder to purchase one share of the Company's Common Stock at a price of \$200 per share, subject to adjustment to prevent dilution. Upon the occurrence of certain events or transactions specified in the rights agreement, the rights holder is entitled to receive for \$200 per right a number of shares of the Company's or an acquiring company's common stock having a market value equal to twice the right's exercise price. The rights may be redeemed by the Company for \$.01 per right prior to the tenth day after a person or group acquires 15% or more of the outstanding Common Stock of the Company. The rights expire on September 30, 1998, unless redeemed earlier by the Company. On March 1, 1994 the rights were amended to permit consummation of the tender offer by Viacom Inc., without causing the rights to become exercisable. In addition, the rights have been amended to provide that the rights expire immediately prior to the merger between the Company and Viacom. See Note O.

Common Stock outstanding at April 30, 1993, does not include 2,127,817 shares reserved under the 1984 Stock Option Plan; 4,469,718 shares reserved under the 1989 Stock Option Plan; 5,750,000 shares reserved under the 1992 Stock Option Plan; and 3,130,018 shares reserved under the Long-Term Performance Plan.

The Company's 1973 Key Employees Stock Purchase Plan and 1984, 1989 and 1992 Stock Option Plans provide for the issuance of options to key employees to

purchase Common Stock of the Company at a price not less than fair market value on the date of grant. Options may not be granted under these plans that expire more than ten years from the date of grant. The Company may establish installment exercise terms for a stock option so that the option becomes fully exercisable in a series of cumulative portions. The Company may also accelerate the period for the exercise of any stock option or portion thereof.

Each option granted under the Company's 1984, 1989 and 1992 Stock Option Plans contains a Limited Right which entitles the holder thereof, only upon the occurrence of certain specified events constituting a change in control of the Company and only after the Compensation Committee of the Board of Directors of the Company so determines, to receive cash in lieu of exercising the option.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transactions involving outstanding stock options under these plans were:

	Number of Common Shares			Option Price		
	1973 Plan	1984 Plan	1989 Plan	Per Share	Aggregate	
						(In millions)
Outstanding at October 31, 1989	100,000	4,585,753	498,700	\$7.75-	\$55.63	\$172.1
Granted			1,275,155	34.63-	55.00	66.1
Issued		(309,887)		15.38-	39.56	(10.1)
Rescinded		(32,675)	(56,550)	31.69-	55.00	(4.4)
Outstanding at October 31, 1990	100,000	4,243,191	1,717,305	7.75-	55.63	223.7
Granted			2,967,650	36.94-	42.13	119.9
Issued	(30,000)	(750,710)		11.80-	43.13	(24.1)
Rescinded		(320,700)	(487,970)	31.69-	55.00	(36.1)
Outstanding at October 31, 1991	70,000	3,171,781	4,196,985	7.75-	55.63	283.4
Granted			468,500	37.50-	47.13	20.0
Issued	(40,000)	(295,198)	(221,183)	7.75-	41.81	(20.1)
Rescinded		(45,075)	(325,825)	20.19-	55.00	(15.7)
Outstanding at October 31, 1992	30,000	2,831,508	4,118,477	13.94-	55.63	267.6
Granted			442,500	44.19-	50.69	19.7
Issued	(30,000)	(703,091)	(309,099)	13.94-	45.81	(27.8)
Rescinded		(600)	(36,035)	33.88-	55.00	(1.9)
Outstanding at April 30, 1993	-0-	2,127,817	4,215,843	15.25-	55.63	\$257.6
Exercisable at						
October 31, 1991	70,000	3,159,281	1,077,475			
October 31, 1992	30,000	2,831,508	2,287,869			
April 30, 1993	-0-	2,127,817	2,238,430			
Reserved for future grants at						
October 31, 1991			803,015			
October 31, 1992			660,340			
April 30, 1993			253,875			

No options have been granted under the 1992 Stock Option Plan, and at April 30, 1993, 5,750,000 shares were reserved for future grants under this plan.

The Company follows the practice of recording amounts received upon the exercise of options by crediting Common Stock and paid-in surplus. No charges are reflected in the consolidated statement of earnings as a result of the grant or exercise of stock options. The Company records compensation expense related to stock appreciation rights of each plan and share unit features of the 1973 Plan based on the change in the quoted market price of the Common Stock for the period. The exercise prices of options are subject to anti-dilution provisions. The Company realizes an income tax benefit from the exercise or early disposition of certain stock options. This benefit results in a decrease in current income taxes payable and an increase in paid-in surplus.

During the six months ended April 30, 1993 and the year ended October 31, 1991, 125,000 and 200,000 shares, respectively, of Common Stock of the Company were granted to certain key employees subject to restrictions which will lapse on certain dates through February 1997. The average market price of these shares on the dates on which they were granted ranged from \$43.06 to \$44.19. During the six months ended April 30, 1993 and the years ended October 31, 1991 and 1990, 50,000, 292,000 and 125,000, respectively, of previously granted shares were rescinded. At April 30, 1993, the unvested portion of previously granted shares totaling \$34.1 million is included as a reduction of stockholders' equity. Compensation expense is recorded over the period during which services are performed.

During the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991, 61,094, 64,205 and 138,485 shares, respectively, of Common Stock of the Company were granted to employees at an average market price of \$43.50, \$37.63 and \$41.88 under the terms of the Company's Long-Term Performance Plan. At April 30, 1993 and October 31, 1992 and 1991, there were 3,130,018, 3,191,112 and 3,255,317 shares, respectively, of Common Stock reserved for future grants under this plan.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE I--INCOME TAXES

As described in Note A, effective May 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes" by restating its prior period financial statements beginning November 1, 1988.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities were as follows (in millions):

	April 30	October 31	
	-----	-----	-----
	1993	1992	1991
-----			
Deferred tax assets:			
Costs of motion picture and television production	\$89.2	\$75.0	\$50.4
Employee compensation and other payroll related expenses	44.5	60.7	53.2
Provisions for real estate write-down, relocation and prior year publishing charge	40.5	24.8	26.9
Sales returns and allowances	46.4	45.8	38.2
Discontinued operations	34.2	29.0	37.8
Postretirement benefit obligation	34.5		
Preacquisition net operating loss carryforwards of subsidiaries and other	50.0	60.3	66.0
Other	32.1	42.0	54.8
	-----	-----	-----
	371.4	337.6	327.3
	-----		
Valuation allowance for deferred tax assets	(50.0)	(60.3)	(66.0)
	-----		
Total deferred tax assets	321.4	277.3	261.3
	-----		
Deferred tax liabilities:			
Income on motion picture and television production	(12.4)	(13.1)	(16.8)
Expenses related to renovation project	(9.2)	(9.2)	(9.2)
Self insurance	(10.5)	(3.1)	
Deferred seasonal expenses	(41.9)	(26.8)	
Other	(18.4)	(17.9)	(21.7)
	-----		
Total deferred tax liabilities	(92.4)	(70.1)	(47.7)
	-----		
Net deferred tax assets	\$229.0	\$207.2	\$213.6
	-----		

Provision (benefit) for income taxes includes (in millions):

	Six Months		Year Ended October 31		
	Ended April 30		-----		
	1993	1992	1992	1991	1990
	-----				
	(Unaudited)				
Current					
Federal	\$(54.1)	\$(16.7)	\$62.4	\$26.1	\$37.3
Foreign	16.1	31.1	55.1	47.5	49.0
State and other	1.4	4.6	8.8	16.0	7.2
	-----				
	(36.6)	19.0	126.3	89.6	93.5
	-----				
Deferred					
Federal	27.7	1.0	4.0	(28.0)	20.3
Foreign	1.2		(7.2)	(4.2)	(1.3)
State and other				(5.3)	4.1
	-----				
	28.9	1.0	(3.2)	(37.5)	23.1
	-----				
	\$(7.7)	\$20.0	\$123.1	\$52.1	\$116.6
	-----				

The components of earnings (loss) before income taxes were as follows (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990

(Unaudited)

Domestic	\$ (47.8)	\$7.7	\$301.8	\$68.0	\$218.4
Foreign	31.0	61.0	95.5	111.7	162.6
	\$ (16.8)	\$68.7	\$397.3	\$179.7	\$381.0

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation between the provision (benefit) for income taxes computed by applying the statutory Federal income tax rate to earnings (loss) before income taxes and the actual provision (benefit) for income taxes is as follows (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
	(Unaudited)				
Provision (benefit) for income taxes at statutory rate	\$ (5.7)	\$23.4	\$135.1	\$61.1	\$129.5
Increase (decrease) in taxes arising from effect of					
Income (principally foreign) taxed at lower rates	(1.2)	(7.4)	(13.4)	(19.6)	(34.5)
Amortization of intangible assets	1.3	1.0	13.1	8.8	9.6
U. S. state and local income taxes	1.0	3.0	5.3	7.0	7.8
Tax exempt interest				(5.4)	(8.0)
Restoration of reserves no longer required	(3.9)		(21.4)		
Other	0.8		4.4	0.2	12.2
Provision (benefit) for income taxes	\$ (7.7)	\$20.0	\$123.1	\$52.1	\$116.6
Effective tax rate	45.8%	29.1%	31.0%	29.0%	30.6%

Total income tax payments were \$59.6, \$43.5 (unaudited), \$120.0, \$103.8 and \$720.4 million (including \$667.4 million resulting from the fiscal 1989 sale of Associates First Capital Corporation), respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990. The Company's share of the undistributed earnings of foreign subsidiaries not included in its consolidated Federal income tax return, that could be subject to additional income taxes if remitted, was approximately \$810 million at April 30, 1993. No provision has been made for taxes that could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings indefinitely; determination of the related unrecognized deferred U.S. income tax liability is not practicable.

In August 1993, the Budget Reconciliation Act of 1993 (the "Act") was enacted into law. One of the provisions of the Act increased the corporate income tax rate to 35% effective January 1, 1993. This increase, from the previous 34% rate, had no material effect on the Company. The Company expects to benefit from a section of the Act permitting tax deductions derived from the amortization of certain intangible assets acquired after July 25, 1991, which deductions have not previously been claimed on tax returns filed by the Company. However, the Company believes that any tax benefits generated by the amortization of intangible assets previously acquired by it will not be material.

Furthermore, to the extent that the Company is affected by several other provisions of the Act, the results should not be material.

## NOTE J -- COMMITMENTS AND CONTINGENCIES

## Leases

Total rental expense was \$45.7, \$43.1 (unaudited), \$87.0, \$80.0 and \$76.8 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

At April 30, 1993, the minimum lease payments under capital leases and noncancellable operating leases were as follows (in millions):

	Year Ending April 30	
	Capital Leases	Operating Leases
1994	\$14.4	\$65.2
1995	13.8	56.7
1996	9.7	44.5
1997	3.8	38.1
1998	0.7	35.9
Thereafter	5.1	388.4
Total minimum lease payments	47.5	\$628.8

Less amounts representing interest	13.2
Present value of net minimum lease payments	\$34.3

Many of the leases also require the lessee to pay property taxes, insurance and ordinary repairs and maintenance.

Employee Benefit Plans

The cost of pension benefits for eligible employees, measured by length of service, compensation and other factors, is currently being funded through trusts established under the plans. In general, the Company's funding policy is to make contributions to the plans as necessary to meet minimum funding requirements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of net periodic pension cost for the Company's plans were as follows (in millions):

	Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990
(Unaudited)					
Service cost-benefits earned	\$9.2	\$9.0	\$18.1	\$17.2	\$15.8
Interest cost on projected benefit obligation	18.9	17.0	34.1	32.4	30.6
Less return on plan assets	(25.2)	(20.6)	(41.2)	(59.4)	(36.0)
Net amortization and deferral	3.9	1.1	1.9	19.7	(3.4)
Net periodic pension cost	\$6.8	\$6.5	\$12.9	\$9.9	\$7.0

In addition, the Company had other pension expense for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990 of \$5.0, \$4.7 (unaudited), \$9.2, \$9.2 and \$10.6 million, respectively, primarily related to multiemployer pension plans.

The funded status and amounts recognized in the Company's consolidated balance sheet for its domestic and non-U.S. plans is as follows (in millions):

	April 30	October 31	
	1993	1992	1991
Actuarial present value of benefit obligation			
Vested	\$345.8	\$325.6	\$307.1
Nonvested	19.4	17.8	16.8
Accumulated benefit obligation	365.2	343.4	323.9
Effect of projected future salary increases	57.1	55.8	53.1
Projected benefit obligation	422.3	399.2	377.0
Plan assets at fair value	453.0	432.1	416.8
Plan assets in excess of projected benefit obligation	30.7	32.9	39.8
Unrecognized net gain	(34.9)	(30.2)	(23.8)
Unrecognized prior service cost	(8.2)	(9.7)	(11.2)
Unrecognized net asset at date of adoption of SFAS No. 87	(9.0)	(9.7)	(12.7)
Net pension liability	\$(21.4)	\$(16.7)	\$(7.9)

Plan assets consist primarily of marketable equity and fixed income securities and the Company's Common Stock. At April 30, 1993 and October 31, 1992 and 1991, the Company's plans owned 932,076 shares of the Company's Common Stock with an aggregate market value of \$48.5, \$39.3 and \$37.4 million, respectively.

In the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991, the weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation for the Company's plans were 8.5% and 6.0%, respectively. The expected long-term rate of return on assets used for the majority of the Company's plans was 10.0% for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

#### Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, the Company sponsors a welfare plan which provides certain postretirement health care and life insurance benefits for substantially all employees and their covered dependents who generally have worked ten years and are eligible for early or normal retirement under the provisions of the Company's retirement plan. The welfare plan is contributory and contains cost-sharing features such as deductibles and coinsurance which are adjusted annually. The plan is not funded. The Company continues to fund these benefits as claims are paid.

As described in Note A, effective November 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Postretirement benefit costs for prior years, which were recorded on a cash basis, have not been restated.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of the amounts recognized in the Company's consolidated balance sheet are as follows (in millions):

	April 30	November 1
	-----	-----
	1993	1992
-----		
Accumulated postretirement benefit obligation attributable to:		
Current retirees	\$51.7	\$49.2
Fully eligible active plan participants	20.2	19.2
Other active plan participants	34.7	33.0
-----		
Accumulated postretirement benefit obligation	\$106.6	\$101.4
-----		

The components of net periodic postretirement benefit cost for the six months ended April 30, 1993, are as follows (in millions):

Service cost-benefits earned	\$2.4
Interest cost on accumulated postretirement benefit obligation	4.2
-----	
Net periodic postretirement benefit cost	\$6.6
-----	

The discount rate used in determining the accumulated postretirement benefit obligation was 8.5%. At April 30, 1993, the assumed weighted average health care cost trend rates to be used in measuring the accumulated postretirement benefit obligation for 1994 are 13% for retirees age 65 and over and 15% for retirees under age 65. Both rates are assumed to decrease gradually each year to 6.7% in 2011 and thereafter. A one percentage point increase in each year of these health care cost trend rates would increase the accumulated postretirement benefit obligation at April 30, 1993 by \$19.2 million, and increase the sum of the service and interest cost components of net periodic postretirement benefit cost by \$1.4 million.

In addition, the Company contributes to multiemployer plans which provide health and welfare benefits to active as well as retired employees. The cost of these benefits for the six months ended April 30, 1993, was \$5.6 million.

#### Commitments

At April 30, 1993, the Company is obligated to make future payments for various feature films, syndicated programs, sports events and other programming totaling approximately \$401 million. This amount includes \$327 million related to Madison Square Garden Network's agreement to televise New York Yankees baseball games through the year 2000.

#### Legal Proceedings

The Company is a defendant in various lawsuits wherein substantial amounts are claimed. In the opinion of counsel, these suits should not result in judgments that in the aggregate would have a material adverse effect on the Company's financial statements.

#### NOTE K -- SUPPLEMENTAL INFORMATION

Trade receivables are net of allowance for doubtful accounts of \$64.1, \$65.5 and \$59.6 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

Prepaid expenses and other includes royalties advances of \$182.8, \$161.6 and \$156.4 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

The details of accrued expenses and other are as follows

(in millions):

	April 30	October 31	
	-----	-----	-----
	1993	1992	1991
-----			
Participations payable and accrued syndication expenses	\$334.6	\$363.0	\$348.2
Deferred television contracts income	90.6	86.9	73.7
Accrued compensation and other			
employee benefit related items	114.7	140.6	97.2
Reverse repurchase liability	75.1	50.1	
Other	513.4	473.5	483.4
-----			
	\$1,128.4	\$1,114.1	\$1,002.5
-----			



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred liabilities includes participations payable and deferred syndication expenses of \$193.7, \$189.2 and \$187.9 million at April 30, 1993 and October 31, 1992 and 1991, respectively.

The details of interest and other investment income (expense) -- net are as follows (in millions):

	Six Months		Year Ended October 31		
	Ended April 30		1992	1991	1990
	1993	1992			
----- (Unaudited)					
Interest expense					
Interest on					
indebtedness					
and other	\$ (44.9)	\$ (54.4)	\$ (104.1)	\$ (108.6)	\$ (116.2)
Imputed interest					
on long-term					
liabilities	(5.8)	(8.5)	(14.7)	(14.6)	(22.9)
Less capitalized					
interest	2.8	3.1	5.0	11.2	15.2
	(47.9)	(59.8)	(113.8)	(112.0)	(123.9)
-----					
Interest and other					
investment income					
Interest and other					
income on					
investments	28.6	40.0	88.4	106.9	180.3
Imputed interest					
on long-term					
receivables	16.3	17.3	33.2	26.9	22.4
	44.9	57.3	121.6	133.8	202.7
	\$ (3.0)	\$ (2.5)	\$ 7.8	\$ 21.8	\$ 78.8

Imputed interest relates principally to network and syndication licenses of motion picture and television products. Capitalized interest relates to projects under construction and theatrical and television productions in process. Interest paid on borrowings was \$40.8, \$51.0 (unaudited), \$91.0, \$99.5 and \$105.6 million, respectively, for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990.

## NOTE L -- FINANCIAL INSTRUMENTS

The Company adopted SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" in the six months ended April 30, 1993. This statement requires disclosure of estimated fair values for all financial instruments for which it is practicable to estimate fair value.

The Company has used various methods and assumptions to estimate the fair value of its financial instruments at April 30, 1993. For cash and cash equivalents, the carrying amount approximates fair value because of the short maturities of these instruments. Quoted market prices or dealer quotes for the same or similar instrument were used for short-term investments and the majority of long-term debt. Other techniques, such as estimated cash flows and termination cost have been used to estimate the fair value of the remaining financial instruments. These values represent a general approximation of possible value and may not be indicative of the amounts that could be realized in a current market exchange.

The carrying amounts and fair values of the Company's recorded financial instruments at April 30, 1993 are as follows (in millions):

	Carrying Amount	Fair Value
Cash and cash equivalents	\$372.6	\$372.6
Short-term investments	569.7	577.4
Long-term debt (including current maturities) (1)	782.8	859.8
Reverse repurchase liability	75.1	75.1

(1) Excludes obligations under capital leases classified as long-term debt.

Periodically, the Company enters into interest rate swap agreements. These agreements generally allow the Company to exchange fixed rates for variable rates without the exchange of cash with respect to the underlying principal amounts. Net interest payments or receipts, which were not material, are recorded as adjustments to interest expense. The fair value of interest rate swaps at April 30, 1993 was not material.

The Company has guaranteed third party securities and commitments relating

primarily to joint venture obligations, theater leases and standby letters of credit totaling approximately \$320 million at April 30, 1993. These guarantees had a fair value of \$293 million at April 30, 1993.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE M -- FINANCIAL REPORTING BY BUSINESS SEGMENTS

A summary description of the Company's business segments and their respective Revenues and Operating Income (Loss) for the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992, 1991 and 1990 is presented elsewhere herein.

Depreciation, capital expenditures and identifiable assets were as follows (in millions):

	Depreciation					Capital Expenditures (1)				
	Six Months Ended April 30		Year Ended October 31			Six Months Ended April 30		Year Ended October 31		
	1993	1992	1992	1991	1990	1993	1992	1992	1991	1990
	(Unaudited)					(Unaudited)				
Business Segments										
Entertainment	\$24.6	\$23.1	\$49.0	\$38.1	\$28.0	\$46.0	\$58.6	\$94.3	\$146.6	\$174.7
Publishing	11.6	11.2	20.9	19.1	15.8	8.7	10.0	24.6	25.8	12.6
Total	36.2	34.3	69.9	57.2	43.8	54.7	68.6	118.9	172.4	187.3
Corporate and Other Non-Segment Items	0.9	0.9	1.8	1.9	2.0	1.2	0.2	1.1	0.5	0.6
	\$37.1	\$35.2	\$71.7	\$59.1	\$45.8	\$55.9	\$68.8	\$120.0	\$172.9	\$187.9

	Identifiable Assets			
	April 30		October 31	
	1993	1992	1991	1990
Business Segments				
Entertainment	\$3,377.8	\$3,221.9	\$2,493.7	\$2,223.0
Publishing	2,321.3	2,396.5	2,226.4	2,191.5
Total	5,699.1	5,618.4	4,720.1	4,414.5
Corporate and Other Non-Segment Items	1,175.7	1,438.6	1,934.6	2,126.5
	\$6,874.8	\$7,057.0	\$6,654.7	\$6,541.0

(1) Including capitalized leases.

Identifiable assets are those which can be directly identified or associated with the segments. Corporate and other non-segment items principally include cash and cash equivalents, short-term investments, notes receivable, prepaid income taxes and corporate property and equipment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE N -- QUARTERLY RESULTS (UNAUDITED)

The following summarizes the quarterly operating results of the Company for the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991 (in millions, except per share):

Quarter Ended	Revenues	Cost of Goods Sold	Operating Income (Loss)	Earnings (Loss) Before Income Taxes	Earnings (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Change	Net Earnings (Loss)	Earnings (Loss) Per Share	
							Earnings (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Change	Net Earnings (Loss)
<b>1993</b>								
January 31	\$943.7	\$648.8	\$1.8	\$(1.2)	\$0.1	\$(66.8)	\$-0-	\$(.57)
April 30	954.4	638.0	(11.9)	(15.6)	(9.2)	(9.2)	(.08)	(.08)
	\$1,898.1	\$1,286.8	\$(10.1)	\$(16.8)	\$(9.1)	\$(76.0)	\$(.08)	\$(.65)
<b>1992</b>								
January 31	\$1,070.6	\$761.4	\$27.6	\$27.1	\$19.4	\$19.4	\$ .16	\$ .16
April 30	927.9	621.7	50.2	41.6	29.3	29.3	.25	.25
July 31	1,063.9	629.2	156.9	166.6	114.3	114.3	.96	.96
October 31	1,202.5	727.5	161.4	162.0	111.2	102.4	.94	.86
	\$4,264.9	\$2,739.8	\$396.1	\$397.3	\$274.2	\$265.4	\$2.31	\$2.23
<b>1991</b>								
January 31	\$897.1	\$658.3	\$(27.0)	\$(10.8)	\$(5.9)	\$(5.9)	\$(.05)	\$(.05)
April 30	868.1	646.9	(86.3)	(80.8)	(53.7)	(53.7)	(.46)	(.46)
July 31	963.9	553.9	149.5	148.8	102.6	102.6	.87	.87
October 31	1,166.3	779.6	121.6	122.5	84.6	84.6	.72	.72
	\$3,895.4	\$2,638.7	\$157.8	\$179.7	\$127.6	\$127.6	\$1.08	\$1.08

## NOTE O -- SUBSEQUENT EVENTS (UNAUDITED)

## Tender Offers and Merger Proposals

On December 13, 1993, the Company's Board of Directors adopted procedures (the "Bidding Procedures") for the purpose of considering proposals to acquire the Company. Pursuant to the Bidding Procedures, from December 20, 1993 through February 1, 1994, Viacom Inc. (Viacom) and QVC Network, Inc. (QVC) submitted a series of bids for the Company. After the initial round of bidding, the Company entered into a merger agreement with QVC. Prior to the February 1 bidding deadline established by the Bidding Procedures, Viacom substantially increased its bid and the Company terminated the agreement with QVC and entered into a merger agreement with Viacom.

On February 1, 1994, both Viacom and QVC submitted their final proposals for the acquisition of the Company. Viacom's proposal consisted of a tender offer (the "Viacom Offer") for 50.1% of the outstanding shares of the Company's Common Stock (the "Shares"), on a fully diluted basis, at \$107 per Share to be followed by a merger (the "Viacom Second-Step Merger") in which each remaining Share would be converted into the right to receive (i) 0.93065 shares of Viacom Class B Common Stock, (ii) 0.93065 Contingent Value Rights, (iii) 0.5 three-year Warrants to purchase Viacom Class B Common Stock, (iv) 0.3 five-year Warrants to purchase Viacom Class B Common Stock and (v) \$17.50 in principal amount of 8% exchangeable subordinated debentures of Viacom.

QVC's proposal consisted of a tender offer (the "QVC Offer") for 50.1% of the outstanding Shares, on a fully diluted basis, at \$104 per Share to be followed by a merger in which each remaining Share would be converted into the right to receive (i) 1.2361 shares of QVC Common Stock, (ii) 0.2386 shares of a new series of 6% cumulative non-convertible exchangeable preferred stock and (iii) 0.32 ten-year Warrants to purchase QVC Common Stock.

At a meeting held on February 4, 1994, the Company's Board of Directors recommended that stockholders ac-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

cept the Viacom Offer and reject the QVC Offer. At that time, the Company entered into an Amended and Restated Merger Agreement with Viacom (the "Restated Viacom Merger Agreement").

As of midnight on February 14, 1994, approximately 74.6% of the outstanding Shares, on a fully diluted basis, had been validly tendered pursuant to the Viacom Offer and not withdrawn. As a result, pursuant to the Bidding Procedures, on February 15, 1994 Viacom waived certain conditions to the Viacom Offer and extended the offer until March 1, 1994 and QVC terminated the QVC Offer. Immediately after midnight on March 1, 1994, all conditions to the Viacom Offer were deemed to have been satisfied and Viacom accepted for payment 61,657,432, of the Shares validly tendered and not withdrawn pursuant to the Viacom Offer.

Pursuant to the Restated Viacom Merger Agreement, a special meeting of the Company's stockholders will be called to act on the Viacom Second- Step Merger. The approval of holders of a majority of all outstanding voting shares of both Viacom and the Company is required to approve the merger. The approval by Viacom's stockholders is assured by means of a voting agreement between Viacom's parent corporation and the Company. The approval by Paramount's stockholders is assured since Viacom now owns a majority of the outstanding Shares.

The Restated Viacom Merger Agreement also provides that consummation of the Viacom Second-Step Merger is subject to certain customary conditions.

Acquisition and Disposition  
Of Businesses

In February 1994, the Company acquired Macmillan Publishing Company and certain other assets of Macmillan Inc., a leading book publisher, for approximately \$553 million.

In June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. This agreement was terminated in October 1993.

## EXHIBIT INDEX

Exhibits No. -----	Description -----
(3)(a)	Restated Certificate of Incorporation and Amendments thereto (Incorporated by reference).
*(3)(b)	Amended and restated By-laws.
(4)(a)	Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K as the authorized principal amount on any one of such issues does not exceed 10% of the total assets of Paramount Communications and its subsidiaries on a consolidated basis. Paramount Communications agrees to furnish a copy of each such instrument to the Commission upon request.
(4)(b)	Shareholder rights agreement dated as of September 7, 1988, as amended, between Paramount Communications Inc. and Chemical Bank, as Rights Agent (Incorporated by reference).
(10)(i)(a)	Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, between Paramount Communications Inc. and Viacom Inc. (Incorporated by reference).
(10)(i)(b)	Voting Agreement dated as of January 21, 1994, between National Amusements, Inc. and Paramount Communications Inc. (Incorporated by reference).
(10)(ii)(A)(1)	Agreement, dated as of September 9, 1992, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference).
(10)(ii)(A)(2)	Agreement, dated as of March 17, 1991, between Paramount Pictures Corporation and Stanley R. Jaffe (Incorporated by reference).
+(10)(iii)(A)(1)	Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Martin S. Davis (Incorporated by reference).
+(10)(iii)(A)(2)	Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Martin S. Davis (Incorporated by reference).
+(10)(iii)(A)(3)	Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference).
+(10)(iii)(A)(4)	Amendment, dated as of September 9, 1992, to the Agreement, dated as of March 18, 1991, between Paramount Communications and Stanley R. Jaffe (Incorporated by reference).
+(10)(iii)(A)(5)	Amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference).
+(10)(iii)(A)(6)	Amendment, dated as of December 21, 1992, to the amended and restated agreement, dated as of November 17, 1987 and restated as of June 23, 1989, between Paramount Communications and Ronald L. Nelson (Incorporated by reference).



Exhibits No. -----	Description -----
+ (10)(iii)(A)(7)	Agreement, dated as of January 12, 1993, between Paramount Communications and Ronald L. Nelson (Incorporated by reference).
+ (10)(iii)(A)(8)	Amendment dated as of February 11, 1994, to the Agreement dated as of January 12, 1993 between Paramount Communications and Ronald L. Nelson (Incorporated by reference).
+ (10)(iii)(A)(9)	Amended and restated agreement, dated as of October 1, 1985 and restated as of June 23, 1989, between Paramount Communications and Donald Oresman (Incorporated by reference).
+ (10)(iii)(A)(10)	Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Donald Oresman (Incorporated by reference).
+ (10)(iii)(A)(11)	Agreement, dated as of September 10, 1992, between Paramount Communications and Earl H. Doppelt (Incorporated by reference).
+ (10)(iii)(A)(12)	Agreement, dated as of September 10, 1992, between Paramount Communications and Rudolph L. Hertlein (Incorporated by reference).
+ (10)(iii)(A)(13)	Agreement, dated as of June 2, 1989, between Paramount Communications and Lawrence E. Levinson (Incorporated by reference).
+ (10)(iii)(A)(14)	Agreement, dated as of June 2, 1989, between Paramount Communications and Eugene I. Meyers (Incorporated by reference).
+ (10)(iii)(A)(15)	Agreement, dated as of February 25, 1992, between Paramount Communications and Jerry Sherman (Incorporated by reference).
+ (10)(iii)(A)(16)	Agreement, dated April 5, 1993, between Paramount Communications and Robert Greenberg (Incorporated by reference).
+ (10)(iii)(A)(17)	1992 Stock Option Plan (the "1992 Plan") (Incorporated by reference).
+ (10)(iii)(A)(18)	1989 Stock Option Plan, as amended (the "1989 Plan") (Incorporated by reference).
+ (10)(iii)(A)(18)(a)	Form of Stock Option Agreement pursuant to the 1989 Plan--Incentive Stock Option (Incorporated by reference).
+ (10)(iii)(A)(18)(b)	Form of Stock Option Agreement pursuant to the 1989 Plan--Nonqualified Stock Option (Incorporated by reference).
+ (10)(iii)(A)(19)	1984 Stock Option Plan, as amended (the "1984 Plan") (Incorporated by reference).
+ (10)(iii)(A)(19)(a)	Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option (Incorporated by reference).
+ (10)(iii)(A)(19)(b)	Form of Stock Option Agreement pursuant to the 1984 Plan--Incentive Stock Option with a Stock Appreciation Right (Incorporated by reference).

Exhibits No. -----	Description -----
+ (10)(iii)(A)(19)(c)	Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option (Incorporated by reference).
+ (10)(iii)(A)(19)(d)	Form of Stock Option Agreement pursuant to the 1984 Plan--Nonqualified Stock Option with a Stock Appreciation Right (Incorporated by reference).
+ (10)(iii)(A)(20)	1973 Key Employees Stock Purchase Plan (Incorporated by reference).
+ (10)(iii)(A)(21)	Amended and Restated Supplemental Executive Retirement Plan (Incorporated by reference).
+ (10)(iii)(A)(22)	Deferred Compensation Plan for Board of Directors (Incorporated by reference).
+ (10)(iii)(A)(23)	Long-Term Performance Plan, as amended (Incorporated by reference).
+ (10)(iii)(A)(24)	Corporate Annual Performance Plan, as amended (Incorporated by reference).
+ (10)(iii)(A)(25)	Retirement Plan for non-employee directors (Incorporated by reference).
+ (10)(iii)(A)(26)	Non-qualified retirement plan (Incorporated by reference).
*(11)	Computation of Earnings (Loss) per Share.
*(22)	List of Subsidiaries.
** (24)	Consent of Ernst & Young.
*(25)	Powers of Attorney.

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- \* These exhibits were previously filed as part of this Transition Report on Form 10-K for the six months ended April 30, 1993, as amended.
  - \*\* Filed herewith.
  - + This exhibit constitutes a management contract or compensatory plan or arrangement.



CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Numbers 33-48534, 33-48535, 33-46900, 33-28441, 33-22743, 2- 66018, 2-88448 and 33-10554 on Form S-8 and Numbers 2-83427 and 33-51656 on Form S-3) of Paramount Communications Inc. 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 amended consolidated financial statements of Paramount Communications Inc. included in this Transition Report (Form 10-K/A - Amendment No. 3) for the six-month period ended April 30, 1993.

ERNST & YOUNG

New York, New York  
March 17, 1994



PARAMOUNT COMMUNICATIONS INC.  
PART I. FINANCIAL INFORMATION  
CONSOLIDATED STATEMENT OF EARNINGS  
(Unaudited)

	Three Months Ended July 31	
	1993	1992
	(In millions, except per share)	
Revenues . . . . .	\$ 1,351.7	\$ 1,063.9
Cost of goods sold . . . . .	842.4	629.2
Selling, general and administrative expenses . . . . .	318.7	277.8
	-----	-----
	1,161.1	907.0
	-----	-----
Operating Income . . . . .	190.6	156.9
Other expense . . . . .	(0.8)	(1.0)
Interest and other investment income (expense) -- net		
Interest expense . . . . .	(21.0)	(25.0)
Interest and other investment income . . . . .	16.4	35.7
	-----	-----
	(4.6)	10.7
	-----	-----
Earnings before Income Taxes . . . . .	185.2	166.6
Provision for income taxes - Notes A and D . . . . .	64.8	52.3
	-----	-----
Net Earnings . . . . .	\$ 120.4	\$ 114.3
	=====	=====
Average common and common equivalent shares outstanding . . . . .	119.8	119.6
Net earnings per share . . . . .	\$ 1.01	\$ .96
Cash dividends declared per common share . . . . .	.20	.20

See notes to consolidated financial statements.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Paramount Communications Inc. operates in the entertainment and publishing businesses. The following is a comparative summary of operating results for the three months ended July 31, 1993 and 1992 (in millions):

	Three Months Ended July 31			
	Revenues		Operating Income	
	1993	1992	1993	1992
Entertainment . . . . .	\$ 818.8	\$ 563.3	\$ 89.0	\$ 60.8
Publishing . . . . .	532.9	500.6	119.6	112.5
Corporate Expenses . . . . .			(18.0)	(16.4)
	\$ 1,351.7	\$ 1,063.9	\$ 190.6	\$ 156.9
	=====	=====	=====	=====

Entertainment

Revenues increased 45% and operating income increased 46% for the three months ended July 31, 1993, compared with the same prior-year period. These increases include significant seasonal operating results from the Company's theme park operations, acquired in the fall of 1992, as well as operating income gains in motion picture and theater operations.

Features

Revenues from features product increased 9% in the quarter ended July 31, 1993. Theatrical revenues increased 51% due principally to the domestic and international success of Indecent Proposal and the outstanding domestic box office performance of The Firm. Home video revenues decreased 20% in the current-year period despite the continued success of Boomerang and Patriot Games in the foreign market and increased sales related to the Great Movies promotion. Pay cable revenues were 7% higher in the quarter because of the availability of Patriot Games and Boomerang. Current quarter revenues from network features were flat compared with the same prior-year period. Domestic and international features syndication revenues increased 17% in the current-year period.

Features operating income increased 24% in the current-year quarter compared with the same prior-year period. Theatrical operating results increased principally because of the increase in revenues; the current-year quarter also benefited from lower feature write-downs, which were partially offset by higher scenario reserves. Home video operating income decreased in the current-year period due to the decline in revenues and a less profitable mix of titles. Pay cable operating results increased because of higher revenues and an improved overall profit rate on library titles. Operating income from network features was flat in the current-year quarter compared with the same prior-year period. Income from domestic and international features syndication increased in the current-year period because of the higher revenues along with a more profitable mix of titles.

Television

Television programming revenues increased 44% in the three months ended July 31, 1993, compared with the same prior-year period. Revenues from network series increased 154% primarily due to higher syndication sales of Cheers. Revenues from first-run series were up 28%; higher sales of Star Trek: The Next Generation and contributions from Star Trek: Deep Space Nine and the John & Leeza Show were partially offset by lower sales of The Arsenio Hall Show.

Operating income for television programming decreased 41% in the current-year period. Operating results from network series declined as increased costs associated with investments in new programming more than offset higher revenues. First-run series operating income rose, generated by the increase in revenues previously noted. In addition, the current-year period included contributions from movies-of-the-week and lower income from library product.

Station and Network

Operating income at the station and network group declined 43% in the three months ended July 31, 1993. Paramount Stations Group registered higher profits in the current-year quarter, principally due to a 13% increase in revenues resulting from higher

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

advertising sales. At jointly owned USA Networks, operating income declined primarily because of increased programming costs and the underperformance of certain programs at USA Network, along with increased start-up costs incurred for the Sci-Fi Channel.

#### Theaters

Theatrical exhibition revenues decreased 8% in the current-year quarter primarily because of decreased attendance levels. Operating income increased 24%, led by higher results at the Company's Canadian chain, Famous Players, and jointly owned Cinamerica primarily because of lower operating expenses that were partially offset by the decreased attendance levels. International theater operating results were comparable to the same prior-year period.

#### Madison Square Garden

Revenues for Madison Square Garden increased by 9% in the current-year period. The sports teams registered increased revenues of 61%, reflecting contributions from hockey expansion revenues and a net increase in revenues from playoff games. The current period also included higher revenues from a greater number of live entertainment events as well as higher advertising sales, but was negatively impacted by the absence of revenues from the Democratic National Convention recognized in the prior-year period.

Operating losses for the current-year period increased 15%, as the higher total revenues previously described were more than offset by higher sports team operating expenses and MSG Network programming and operating expenses.

#### Publishing

Revenues and operating income increased 6% for the three months ended July 31, 1993, compared with the prior-year period.

#### Consumer

Revenues increased 2% in the current-year period as strong sales of paperback reorders and initial releases and increased international sales were partially offset by lower backlist sales of certain reference and children's books.

Operating results improved 96% as increased revenues and lower product support expenses were partially offset by higher product development expenses.

#### Business, Technical and Professional

Revenues declined 3% in the current-year period principally because of lower sales of workplace education and training products, partially offset by higher sales of computer titles.

The business, technical and professional group posted an operating loss in the current-year period compared with operating income in the same prior-year period due to decreased sales and increased product support expenses.

#### Education

Revenues rose 8% in the current-year quarter compared with the same prior-year period. Elementary education revenues improved slightly in the current-year period because of new adoptions. Revenues at educational technology increased 34% in the current quarter due to increased sales of learning stations and related products. At secondary education, revenues rose 17% because of strong sales from new adoptions, primarily science, social studies and language arts. Higher education revenues increased by 8% because of strong sales of college texts, primarily in the math, science, humanities and social studies disciplines.

Operating income increased 12% as improved revenues were partially offset by increased product support and operating expenses.

#### International

Revenues improved 10% from sales gains at all units, primarily attributable to new educational adoptions and improved sales of computer titles.

Operating income approximated the prior-year period despite the increased revenues, due to higher expenses.



PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Interest and Other Investment Income (Expense) -- Net

Earnings for the current-year period reflect net interest and other investment expense of \$4.6 million, compared with net interest and other investment income of \$10.7 million in the prior-year period. This decrease stems primarily from decreased interest and other investment income resulting from lower average cash equivalents and short-term investments and interest rates. The lower average cash equivalents and short-term investments were primarily a result of acquisitions, the repurchase of shares of the Company's Common Stock and the funding of the working capital requirements of the Company. The decrease in interest and other investment income was partially offset by lower interest expense, which included lower effective interest rates on the Company's debt.

Other

The effective rate for income taxes was 35% in the three months ended July 31, 1993 compared with a 31.4% rate (as restated - see below) for the comparable prior-year period. The increase is the result of the amount of foreign income subject to tax at lower foreign rates as a percentage of total worldwide income and increases in income subject to federal, state and local income taxes. Corporate expenses for the three months ended July 31, 1993, include costs related to the start-up of the Paramount Technology Group, a new business unit responsible for the integration of emerging technologies, including new product development, throughout the Company's entertainment and publishing operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company depended primarily on internal cash flow and external borrowings to finance its operations during the three months ended July 31, 1993, and expects to continue to do so. In May 1993, the Company purchased the remaining 80% it did not own of Canada's Wonderland, Inc., a Canadian theme park, for approximately \$52 million. The Company subsequently liquidated Canada's Wonderland debt obligations of approximately \$31 million. In June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. (IA) for common stock, debt, preferred stock, common stock warrants and options. The transaction is subject to approval by IA's shareholders. In September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million.

In July 1993, the Company redeemed \$100 million of 8 1/2% senior notes due 1996. Also, in July 1993, the Company completed a public offering of \$150 million of 5 7/8% senior notes due 2000 and \$150 million of 7 1/2% senior debentures due 2023. A portion of the net proceeds was used to refinance the previously mentioned redemption of the Company's 8 1/2% senior notes. The remainder of such proceeds were used to fund the acquisitions of television station WKBD-TV in Detroit and the remaining 80% interest in Canada's Wonderland theme park. Total debt as a percentage of total capitalization increased from 17% at April 30, 1993 to 20% at July 31, 1993. In the past, the Company has been able to increase its borrowings as required and expects to be able to continue to do so.

Accounting Change

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to decrease the loss before cumulative effect of accounting change and net loss by \$1.8 million (\$.01 per share) for the six months ended April 30, 1993; increase earnings before extraordinary item and net earnings by \$4.0 million (\$.04 per share) for the year ended October 31, 1992; and, increase net earnings by \$5.4 million (\$.05 per share) and \$1.0 million (\$.01 per share) for the year ended October 31, 1991 and the three months ended July 31, 1992, respectively. The cumulative effect of adopting SFAS No. 109 as of October 31, 1990, decreased the beginning balance of 1991's retained earnings by \$45.4 million.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated. For further detail, see Notes A and D to the consolidated financial statements.

Effects of Accounting for Postemployment Benefits

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which is effective for the Company in the year ending April 30, 1995. Under this statement, the cost of benefits provided to employees after employment but before retirement is to be recognized in the financial statements on an accrual basis during the service period of the employee. It is expected that implementation of this statement will not have a material impact on the financial position of the Company.

Accounting for Certain Investments in Debt and Equity Securities

In May 1993, the Financial Accounting Standards Board issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which is effective for the Company in the year ending April 30, 1995. This statement sets forth the accounting for certain investments in debt and equity securities based upon management's ability and intent, at the time of purchase, to trade, hold to maturity or make available for sale such investments. The effect of this statement at the time of adoption will depend upon the Company's ability and intent with respect to such investments.

PARAMOUNT COMMUNICATIONS INC.

CONSOLIDATED BALANCE SHEET

	July 31 1993 ----- (Unaudited)	April 30 1993 ----- (Note)
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents . . . . .	\$ 397.0	\$ 372.6
Short-term investments . . . . .	602.6	569.7
Trade receivables . . . . .	1,097.4	829.6
Inventories - Note C . . . . .	684.2	617.3
Prepaid income taxes . . . . .	112.6	131.7
Prepaid expenses and other . . . . .	379.5	400.2
	-----	-----
Total Current Assets . . . . .	3,273.3	2,921.1
Property, Plant and Equipment		
Land . . . . .	248.8	210.8
Buildings . . . . .	595.3	591.4
Machinery, equipment and other . . . . .	684.9	606.9
	-----	-----
	1,529.0	1,409.1
Less allowance for depreciation . . . . .	363.6	336.1
	-----	-----
	1,165.4	1,073.0
Other Assets		
Investment in affiliated companies . . . . .	233.3	243.9
Noncurrent receivables and inventories - Note C . . . . .	612.3	689.8
Intangible assets . . . . .	1,505.7	1,517.5
Deferred costs and other . . . . .	439.8	429.5
	-----	-----
	2,791.1	2,880.7
	-----	-----
	\$ 7,229.8	\$ 6,874.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt . . . . .	\$ 10.0	\$ 109.8
Trade accounts payable . . . . .	160.9	194.7
Income taxes payable . . . . .	57.8	26.6
Accrued expenses and other . . . . .	1,186.9	1,128.4
	-----	-----
Total Current Liabilities . . . . .	1,415.6	1,459.5
Deferred Liabilities . . . . .	804.7	805.9
Long-Term Debt, net of current maturities . . . . .	1,004.1	707.3
Stockholders' Equity		
Common Stock, recorded at \$1.00 par value; 600,000,000 shares authorized; shares outstanding, 118,384,222 at July 31, 1993 (excluding 29,481,154 shares held in treasury) and 118,199,396 at April 30, 1993 (excluding 29,665,980 shares held in treasury) . . . . .	118.4	118.2
Paid-in surplus . . . . .	722.4	712.8
Retained earnings - Note D . . . . .	3,179.2	3,082.5
Cumulative translation adjustments . . . . .	(14.6)	(11.4)
	-----	-----
	4,005.4	3,902.1
	-----	-----
	\$ 7,229.8	\$ 6,874.8
	=====	=====

Note: Restated from audited financial statements.

See notes to consolidated financial statements.

PARAMOUNT COMMUNICATIONS INC.  
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS  
(Unaudited)

Three Months Ended  
July 31  
-----  
1993            1992  
-----  
(In millions)

Cash Flows from Operating Activities		
Gross cash flows provided from operating activities . . . . .	\$ 206.6	\$ 186.8
Undistributed net earnings of unconsolidated affiliates . . . . .	(4.7)	(10.1)
Theatrical and television inventories and broadcast rights Gross additions . . . . .	(264.4)	(171.3)
Amortization . . . . .	254.6	196.0
Decrease in network features and syndication licenses . . . . .	8.1	27.7
Increase in pre-publication costs . . . . .	(16.8)	(22.0)
Increase in trade receivables . . . . .	(276.7)	(306.9)
Decrease in inventories (other than theatrical and television) . . . . .	18.6	19.7
Decrease in prepaid expenses . . . . .	44.7	5.1
Increase (decrease) in trade accounts payable . . . . .	(36.2)	15.5
Increase (decrease) in income taxes payable . . . . .	31.2	(9.9)
Increase (decrease) in accrued expenses . . . . .	55.7	(5.2)
Other -- net . . . . .	(30.2)	(6.3)
	-----	-----
Net cash flows used for operating activities . . . . .	(9.5)	(80.9)
Cash Flows from Investment and Other Activities		
Expenditures for property, plant and equipment (excluding capitalized leases) . . . . .	(33.4)	(22.8)
Proceeds on disposal of property, plant and equipment . . . . .	1.9	5.6
Purchase price of acquired businesses (net of acquired cash) . . . . .	(52.3)	(0.1)
Decrease (increase) in investment in affiliated companies . . . . .	0.2	(7.9)
Increase in short-term and other investments . . . . .	(32.3)	(192.6)
Decrease in investments maturing after one year . . . . .		23.5
Decrease in notes receivable . . . . .	1.3	1.2
	-----	-----
Net cash flows used for investment and other activities . . . . .	(114.6)	(193.1)
Cash Flows from Financing Activities		
Proceeds of long-term debt . . . . .	298.8	
Payments of long-term debt . . . . .	(134.0)	(4.1)
Issuance of Common Stock (excluding grants to employees) . . . . .	7.4	6.7
Dividends . . . . .	(23.7)	(23.7)
	-----	-----
Net cash flows provided from (used for) financing activities . . . . .	148.5	(21.1)
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents . . . . .	24.4	(295.1)
Cash and Cash Equivalents at Beginning of Year . . . . .	372.6	463.7
	-----	-----
Cash and Cash Equivalents at End of Period . . . . .	\$ 397.0	\$ 168.6
	=====	=====

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note A -- Basis of Presentation

The accompanying consolidated financial statements of Paramount Communications Inc. and its consolidated subsidiaries (Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations of any interim period are subject to year-end audit and adjustments, and are not necessarily indicative of the results of operations for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's transition report on Form 10-K for the six months ended April 30, 1993.

Certain amounts in the consolidated financial statements for the prior-year period have been reclassified to conform to current presentation for comparative purposes.

## Change in Fiscal Year End

In June 1993, the Board of Directors approved a change in the Company's fiscal year end to April 30 from October 31.

## Accounting Change

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to decrease the loss before cumulative effect of accounting change and net loss by \$1.8 million (\$.01 per share) for the six months ended April 30, 1993; increase earnings before extraordinary item and net earnings by \$4.0 million (\$.04 per share) for the year ended October 31, 1992; and, increase net earnings by \$5.4 million (\$.05 per share) and \$1.0 million (\$.01 per share) for the year ended October 31, 1991 and the three months ended July 31, 1992, respectively. The cumulative effect of adopting SFAS No. 109 as of October 31, 1990, decreased the beginning balance of 1991's retained earnings by \$45.4 million.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated. For further detail, see Note D to the consolidated financial statements.

## Note B -- Acquisition and Disposition of Businesses

In May 1993, the Company purchased the remaining 80% it did not own of Canada's Wonderland, Inc., a Canadian theme park, for approximately \$52 million. In June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. (IA) for common stock, debt, preferred stock, common stock warrants and options. The transaction is subject to approval by IA's shareholders. At closing, the Company will own an approximately 49% common stock interest in IA. In September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million.

In August and October 1992, the Company 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.

During the periods ended July 31, 1993 and 1992, the Company also acquired or sold certain other businesses. The contributions of these businesses in the aggregate were not significant to the Company's results of operations for the periods presented, nor are they expected to have a material effect on the Company's results on a continuing basis.

PARAMOUNT COMMUNICATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C -- Inventories

Inventories are stated as follows (in millions):

	July 31 1993 -----	April 30 1993 -----
Current		
Lower of cost or net realizable value		
Finished goods . . . . .	\$ 233.8	\$ 248.3
Work in process . . . . .	9.7	12.8
Materials and supplies . . . . .	30.8	29.5
	-----	-----
	274.3	290.6
Theatrical and television productions		
Released . . . . .	214.8	176.9
Completed, not released . . . . .	74.7	32.7
In process and other . . . . .	75.9	61.8
	-----	-----
	365.4	271.4
Broadcast rights . . . . .	44.5	55.3
	-----	-----
	684.2	617.3
Noncurrent		
Theatrical and television productions		
Released . . . . .	144.2	155.3
In process and other . . . . .	191.4	247.0
	-----	-----
	335.6	402.3
Broadcast rights . . . . .	100.3	107.0
	-----	-----
	435.9	509.3
	-----	-----
	\$ 1,120.1	\$ 1,126.6
	=====	=====

PARAMOUNT COMMUNICATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D -- Income Taxes

As described in Note A, effective May 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes" by restating its prior period financial statements beginning November 1, 1988.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities as of April 30, 1993, were as follows (in millions):

	April 30 1993 -----
Deferred tax assets:	
Costs of motion picture and television production . . . . .	\$ 89.2
Employee compensation and other payroll related expenses . . . . .	44.5
Provisions for real estate write-down, relocation and prior year publishing charge . . . . .	40.5
Sales returns and allowances . . . . .	46.4
Discontinued operations . . . . .	34.2
Postretirement benefit obligation . . . . .	34.5
Preacquisition net operating loss carryforwards of subsidiaries and other . . . . .	50.0
Other . . . . .	32.1
	-----
	371.4
Valuation allowance for deferred tax assets . . . . .	(50.0)
	-----
Total deferred tax assets . . . . .	321.4
Deferred tax liabilities:	
Income on motion picture and television production . . . . .	(12.4)
Expenses related to renovation project . . . . .	(9.2)
Self insurance . . . . .	(10.5)
Deferred seasonal expenses . . . . .	(41.9)
Other . . . . .	(18.4)
	-----
Total deferred tax liabilities . . . . .	(92.4)
	-----
Net deferred tax assets . . . . .	\$ 229.0 =====

The net change in the valuation allowance from October 31, 1992 to April 30, 1993 was a decrease of \$10.3 million.

Provision (benefit) for income taxes includes (in millions):

	Six Months Ended April 30, 1993 -----	Year Ended October 31, 1992 -----
Current		
Federal . . . . .	\$ (54.1)	\$ 62.4
Foreign . . . . .	16.1	55.1
State and other . . . . .	1.4	8.8
	-----	-----
	(36.6)	126.3
Deferred		
Federal . . . . .	27.7	4.0
Foreign . . . . .	1.2	(7.2)
	-----	-----
	28.9	(3.2)
	-----	-----
	\$ (7.7)	\$ 123.1 =====

PARAMOUNT COMMUNICATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of the provision (benefit) for deferred taxes were as follows (in millions):

	Six Months Ended April 30, 1993	Year Ended October 31, 1992
	-----	-----
Costs of motion picture and television production . . . . .	\$ (19.1)	\$ 4.0
Income on motion picture and television production . . . . .	(0.8)	3.0
Valuation of inventories . . . . .	12.5	(13.9)
Employee compensation and other payroll related expenses . . . . .	27.5	(8.4)
Accelerated depreciation . . . . .	(4.2)	(2.0)
Reversal of differences related to a prior year publishing charge . . . . .	(0.5)	14.5
Expenses related to renovation project . . . . .		(1.4)
Self insurance . . . . .	9.0	8.7
Deferred seasonal expenses . . . . .	18.2	
Provision for real estate write-down and relocation . . . . .	(13.6)	
Other . . . . .	(0.1)	(7.7)
	-----	-----
	\$ 28.9	\$ (3.2)
	=====	=====

The components of earnings (loss) before income taxes were as follows (in millions):

	Six Months Ended April 30, 1993	Year Ended October 31, 1992
	-----	-----
Domestic . . . . .	\$ (47.8)	\$301.8
Foreign . . . . .	31.0	95.5
	-----	-----
	\$ (16.8)	\$397.3
	=====	=====

A reconciliation between the provision (benefit) for income taxes computed by applying the statutory Federal income tax rate to earnings (loss) before income taxes and the actual provision (benefit) for income taxes is as follows (in millions):

	Six Months Ended April 30, 1993	Year Ended October 31, 1992
	-----	-----
Provision (benefit) for income taxes at statutory rate . . . . .	\$ (5.7)	\$135.1
Increase (decrease) in taxes arising from effect of:		
Income (principally foreign) taxed at lower rates . . . . .	(1.2)	(13.4)
Amortization of intangible assets . . . . .	1.3	13.1
U. S. state and local income taxes . . . . .	1.0	5.3
Restoration of reserves no longer required . . . . .	(3.9)	(21.4)
Other . . . . .	0.8	4.4
	-----	-----
Provision (benefit) for income taxes . . . . .	\$ (7.7)	\$123.1
	=====	=====

Total income tax payments were \$59.6 and \$120.0 million, respectively, for the six months ended April 30, 1993 and the year ended October 31, 1992. The Company's share of the undistributed earnings of foreign subsidiaries not included in its consolidated Federal income tax return, that could be subject to additional income taxes if remitted, was approximately \$810 million at April 30, 1993. No provision has been made for taxes that could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings indefinitely; determination of the related unrecognized deferred U.S. income tax liability is not practicable.



PARAMOUNT COMMUNICATIONS INC.

PART II. OTHER INFORMATION

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

- (a) Exhibits -- None
- (b) Reports on Form 8-K -- The following reports on Form 8-K were filed during the three months ended July 31, 1993:
- (i) The registrant filed a Current Report on Form 8-K, dated June 22, 1993, in respect of its determination to change its fiscal year to April 30 from October 31. The item reported in such Current Report was Item 8 (Change in Fiscal Year).
- (ii) The registrant filed a Current Report on Form 8-K, dated June 30, 1993, in respect of pro forma unaudited combined financial statements of Paramount Communications Inc., Kings Entertainment Company and Kings Island Company. The item reported in such Current Report was Item 7 (Pro Forma Financial Information), and the Pro Forma Combined Statement of Earnings for the Year Ended October 31, 1992 was filed therewith.
- (iii) The registrant filed a Current Report on Form 8-K, dated July 15, 1993, in respect of a definitive form of Senior Note related to the registrant's offering of \$150,000,000 of 5 7/8% Senior Notes due July 15, 2000 and in respect of a definitive form of Senior Debenture related to the registrant's offering of \$150,000,000 of 7 1/2% Senior Debentures due July 15, 2023. The item reported in such Current Report was Item 7 (Exhibits).

SIGNATURES

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

PARAMOUNT COMMUNICATIONS INC.

Date: September 10, 1993

By: /s/ Ronald L. Nelson

-----  
Ronald L. Nelson  
Executive Vice President  
and Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549-1004

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 1993 COMMISSION FILE NUMBER 1-5404

OR

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

PARAMOUNT COMMUNICATIONS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

74-1330475

(IRS Employer Identification No.)

15 COLUMBUS CIRCLE, NEW YORK, NEW YORK  
(Address of principal executive offices)

10023-7780  
(Zip Code)

Registrant's telephone number, including area code 212-373-8000.

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

At December 9, 1993, 121,000,626 shares of the registrant's Common Stock, \$1  
par value, were outstanding.

PARAMOUNT COMMUNICATIONS INC.

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PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Paramount Communications Inc. operates in the entertainment and publishing businesses. The following is a comparative summary of operating results for the three and six months ended October 31, 1993 and 1992 (in millions):

	THREE MONTHS ENDED OCTOBER 31				SIX MONTHS ENDED OCTOBER 31			
	REVENUES		OPERATING INCOME		REVENUES		OPERATING INCOME	
	1993	1992	1993	1992	1993	1992	1993	1992
Entertainment . . . . .	\$ 838.6	\$ 685.8	\$ 45.3	\$ 53.9	\$1,657.4	\$ 1,249.1	\$ 134.3	\$ 114.7
Publishing . . . . .	553.2	516.7	132.1	124.5	1,086.1	1,017.3	251.7	237.0
Corporate Expenses . . .			(17.7)	(17.0)			(35.7)	(33.4)
	\$1,391.8	\$ 1,202.5	\$159.7	\$161.4	\$2,743.5	\$ 2,266.4	\$ 350.3	\$ 318.3

ENTERTAINMENT

Revenues increased 22%, to \$838.6 million from \$685.8 million, and 33%, to \$1,657.4 million from \$1,249.1 million, for the three and six months ended October 31, 1993, respectively, compared with the same prior-year periods. Operating income decreased 16% in the current three months but increased 17% for the six months ended October 31, 1993, compared with the same prior-year periods. Results for the current six-month period included significant seasonal contributions from Paramount Parks, the Company's theme park operations, which were acquired in the fall of 1992.

Features

Revenues from features product decreased 3% in the current three months, to \$257.1 million from \$264.8 million, but increased 3%, to \$582.7 million from \$563.3 million, for the six months ended October 31, 1993, compared with the same prior-year periods. Theatrical revenues increased 31% and 43% for the three and six months ended October 31, 1993, respectively, led by the continued domestic and the international box office success of The Firm and the international performances of Indecent Proposal and Sliver. In addition, the current six-month period benefited from the domestic theatrical success of Indecent Proposal. Home video revenues decreased 16% and 18% for the three- and six-month current-year periods, respectively, because of the absence of a significant sell-through title included in the prior-year periods. However, the current periods included contributions from the domestic videocassette release of Indecent Proposal and the continued domestic and foreign success of Patriot Games and Boomerang, along with increased sales from various sell-through promotional programs. Pay cable revenues declined 31% and 12% for the current three- and six-month periods because of a weaker mix of newly available titles compared with the same prior-year periods. Revenues from network and domestic and international syndication sales of features product rose 51% and 29% for the three and six months ended October 31, 1993, respectively, because of the availability of more successful titles.

Features posted an operating loss for the three months ended October 31, 1993, compared with operating income for the comparable prior-year period, and operating income declined 52% for the current six-month period. Theatrical results declined because of higher feature write-downs in the current-year periods, primarily related to the releases of Searching for Bobby Fischer, The Thing Called Love, Bopha! and Coneheads, as well as higher scenario reserves. Home video operations registered lower profits in the current-year periods principally due to the decline in revenues and a less profitable mix of titles. Pay cable results were flat for the current quarter ended October 31, 1993, but increased in the current six months primarily because of an improved overall profit rate on library titles. Operating income from network features and domestic and international features syndication increased in the current-year periods because of higher revenues along with a more profitable mix of titles.

Television

Television programming revenues increased 30%, to \$293.4 million from \$225.9 million, and 34%, to \$451.5 million from \$336.1 million, in the three and six months ended October 31, 1993, respectively, compared with the same prior-year periods. Revenues from network series increased 54% and 73%, respectively, in the current-year periods because of contributions from the domestic licensing of Wings to USA Network, higher network license fees driven by increased series production and increased syndication sales of network library titles. Revenues from first-run series increased slightly for the

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

three months ended October 31, 1993, but were up 13% in the current six-month period; contributions from Star Trek: Deep Space Nine and the John & Leeza Show were largely offset by lower revenues from The Arsenio Hall Show.

Television programming operating income increased 21% for the current three months but declined 2% in the six months ended October 31, 1993. Operating income from network series rose because of higher profitability of Cheers. First-run series operating income declined, as higher profits from Star Trek: The Next Generation and Entertainment Tonight, along with contributions from Star Trek: Deep Space Nine were more than offset by lower results from The Arsenio Hall Show and increased investments in new programming.

#### Station and Network

Operating income at the Station and Network group increased 30% in the three months but declined 15% in the six months ended October 31, 1993. Paramount Stations Group registered higher profits principally due to an increase in revenues of 22%, to \$50.9 million from \$41.8 million, and 18%, to \$96.7 million from \$82.2 million, in the current-year three- and six-month periods, respectively, resulting from higher advertising sales as well as contributions from the September 1993 acquisition of WKBD-TV in Detroit. At USA Networks, the Company's jointly-owned cable operations, operating income declined in the current-year periods primarily because of higher programming costs and the underperformance of certain programs at USA Network, along with continued start-up costs incurred for the Sci-Fi Channel.

#### Theaters

Theatrical exhibition revenues increased 28%, to \$47.2 million from \$36.9 million, and 8%, to \$90.8 million from \$84.4 million, for the three and six months ended October 31, 1993, respectively. Revenues at Famous Players, the Company's Canadian chain, increased 23% and 3%, respectively, in the current year periods because of attendance gains driven by improved product. Operating results at Cinamerica, the Company's 50%-owned domestic theater operation, increased in the current periods because of higher attendance and lower operating expenses. International theater operations, which are primarily jointly-owned, recorded higher operating income, principally because of increased attendance levels in the United Kingdom and Germany. Overall theatrical exhibition operating income increased significantly for the current quarter and by 156% for the current six months, primarily because of the attendance-driven increase in revenues and lower operating expenses.

#### Madison Square Garden

Revenues for Madison Square Garden increased by 26%, to \$63.2 million from \$50.2 million, and 17%, to \$120.8 million from \$103.1 million in the current-year three- and six-month periods, respectively. The sports teams' revenues increased modestly in the current quarter, but increased 27% for the current six months led by higher Knickerbocker playoff revenues; revenues for the Rangers increased slightly in the current six-month period due to the receipt of expansion revenues, partially offset by the absence of playoff revenue. The current periods also included higher revenue from an increased number of live entertainment events in the Arena, increased MSG Network affiliate and advertising sales and greater concession revenues, while the current six months were negatively impacted by the absence of revenues from the Democratic National Convention recognized in the same prior-year period.

Operating losses decreased 9% in the current quarter but increased 2% for the six months ended October 31, 1993. The current periods included higher income from the increase in concession revenues along with higher profits at MSG Network because of the increase in revenues, which were partially offset by an increase in programming and operating expenses. These results were partially offset in the current quarter, and more than offset in the current six months, by an increase in operating losses from the Knickerbockers, where higher team compensation and operating expenses exceeded revenue gains achieved.

#### Paramount Parks

Revenues for Paramount Parks, which were acquired in several transactions during the quarters ended October 31, 1992 and July 31, 1993, increased to \$115.2 million and \$301.4 million in the current-year periods from \$56.1 million in each of the prior-year periods. Operating income increased in the current-year periods reflecting the inclusion of a full six months of operations versus a partial three-month period in the prior year.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PUBLISHING

Publishing revenues of \$553.2 million and \$1,086.1 million in the current three- and six-month periods, respectively, reflect 7% increases over revenues of \$516.7 million and \$1,017.3 million in the comparable prior-year three- and six-month periods, respectively, while operating income rose 6% in the current-year periods.

Consumer

Revenues increased 10%, to \$146.1 million from \$132.6 million, and 7%, to \$235.3 million from \$220.2 million, in the current three- and six-month periods, compared with the same prior-year periods. Revenues increased in the current three and six months at the Simon & Schuster trade division and at Pocket Books due primarily to contributions from initial hardcover releases, and in the current six-month period because of higher backlist hardcover sales at the trade division and paperback releases at Pocket Books. Additionally, consumer publishing benefited in the current-year periods from higher sales at Paramount Publishing New Media, primarily from the audio releases of successful Pocket Book titles and higher international revenues partially offset by weaker backlist demand for reference and children's books.

Consumer publishing posted 30% and 36% higher operating income in the current three- and six-month periods, respectively, as increased revenues along with lower product support expenses were partially offset by higher product development and operating expenses.

Business, Technical and Professional

Revenues declined 4% in the current year periods, to \$101.9 million in the current-year quarter from \$105.8 million in the prior-year quarter, and to \$168.7 million in the current six months from \$175.0 million for the prior six-month period. Lower sales of multimedia programs, timing of the release of annual tax products and lower subscription sales were partially offset by increased sales of computer titles, self-improvement products and higher revenues from business seminars.

Operating income decreased 13% and 38%, respectively, in the three- and six-months ended October 31, 1993, because of lower revenues and increased product support expenses partially offset by lower product development and operating expenses.

Education

Revenues increased 15%, to \$260.7 million from \$226.8 million, and 11%, to \$595.3 million from \$535.7 million, in the three and six months ended October 31, 1993, respectively, compared with the same prior-year periods. Elementary education revenues rose 11% for the quarter, to \$85.3 million from \$76.8 million in the prior-year quarter, while the six months revenues increased 5%, to \$221.8 million from \$212.0 million in the prior six-month period. Revenues were higher primarily because of increased adoption opportunities and the introduction of new reading, social studies and religion products, along with higher sales of workbooks and kits. Secondary education revenues rose 19%, to \$55.6 million in the current quarter from \$46.7 million in the prior-year quarter, while the current six-month revenues increased 18%, to \$132.9 million from \$112.7 million in the prior six-month period. The increased revenues are primarily attributable to the successful launch of the latest science, language arts and social studies programs, particularly in California, Virginia and Texas, respectively. Revenues at higher education rose 11%, to \$87.1 million from \$78.8 million, and 9%, to \$184.6 million from \$169.1 million, for the current three and six months, respectively, compared with the same prior-year periods, primarily from the success of new editions in the social science, humanities and education disciplines, along with volume-incentive programs. Educational technology revenues increased 34% in the three- and six-month periods, to \$32.7 million and \$56.0 million, respectively, compared with \$24.5 million and \$41.9 million, respectively, in the prior-year three- and six-month periods. The revenues increased principally because of higher sales of computer learning stations and related software products.

Operating income rose 35% and 20%, respectively, in the three- and six-month periods as increased revenues and lower operating expenses were partially offset by increased product support expenses.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

International

Revenues of \$52.5 million in the current quarter and \$101.8 million in the current six months reflect an increase of 12% and 11%, respectively, as compared with revenues of \$46.9 million and \$91.7 million, respectively, in the prior-year three- and six- month periods. Sales gains at all units, led by Asia, United Kingdom Academic, Mexico and Australia, were largely attributable to increased adoptions and improved sales of computer books.

Operating income improved 22% and 11%, respectively, in the three and six months ended October 31, 1993, because of higher revenues, partially offset by increased product support and development and operating expenses.

Additionally, overall publishing operations reflect higher corporate administrative expenses.

INTEREST AND OTHER INVESTMENT INCOME (EXPENSE) -- NET

Earnings for the current-year periods reflect net interest and other investment expense of \$8.1 million and \$12.7 million, compared with net interest and other investment expense of \$0.4 million for the prior-year three-month period and net interest and other investment income of \$10.3 million in the prior-year six-month period. This decrease stems primarily from lower interest and other investment income because of lower average cash equivalents and short-term investments and interest rates. The lower average cash equivalents and short-term investments were primarily a result of acquisitions and the funding of the working capital requirements of the Company. The decrease in interest and other investment income was partially offset by lower interest expense, which included lower effective interest rates on the Company's debt.

OTHER

The effective rate for income taxes was 35% in the six months ended October 31, 1993 compared with a 31.4% rate (as restated - see below) for the comparable prior-year period. The increase is the result of the amount of foreign income subject to tax at lower foreign rates as a percentage of total worldwide income and increases in income subject to federal, state and local income taxes. Corporate expenses for the current-year periods include costs related to the start-up of the Paramount Technology Group, a new business unit responsible for the integration of emerging technologies, including new product development, throughout the Company's entertainment and publishing operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company depended primarily on internal cash flow and external borrowings to finance its operations during the six months ended October 31, 1993, and expects to continue to do so. In May 1993, the Company 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. The Company subsequently liquidated Paramount Canada's Wonderland debt obligations of approximately \$31 million. In June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. This agreement was terminated in October 1993. In September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million. In November 1993, the Company entered into an agreement to purchase Macmillan Publishing Company and certain other assets of Macmillan Inc., a leading book publisher, for approximately \$553 million. The transaction is expected to close in early 1994.

The Company and BHC Communications, Inc., which is majority-owned by Chris-Craft Industries, Inc., have agreed to form 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. Subject to certain conditions, the network is expected to begin operations in January 1995.

In July 1993, the Company redeemed \$100 million of 8 1/2% senior notes due 1996. Also, in July 1993, the Company completed a public offering of \$150 million of 5 7/8% senior notes due 2000 and \$150 million of 7 1/2% senior debentures due 2023. A portion of the net proceeds was used to refinance the previously mentioned redemption of the Company's 8 1/2% senior notes. The remainder of such proceeds were used to fund the acquisitions of television station WKBD-TV in Detroit and the remaining 80% interest in Paramount Canada's Wonderland theme park. Total debt as a percentage of total capitalization increased from 17% at April 30, 1993 to 20% at October 31, 1993. In the past, the Company has been able to increase its borrowings as required and expects to be able to continue to do so.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Trade receivables increased at October 31, 1993, compared to April 30, 1993 by 28%, which is principally attributable to the Company's publishing operations. Educational publishing, which normally contributes more than half of annual publishing revenues, records most of its sales in the Company's July and October quarters, corresponding to the typical school-year buying cycle. In addition, trade receivables increased in the Company's entertainment operations largely because of the commencement of domestic syndication contracts for major television programs in the quarter coupled with pre-Christmas videocassette sales.

The balance sheet at October 31, 1993, reflects the acquisitions of the remaining 80% interest in Paramount Canada's Wonderland theme park and television station WKBD-TV in Detroit, which contributed to changes in certain balance sheet accounts as compared to April 30, 1993.

#### ACCOUNTING CHANGE

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to increase earnings before extraordinary item and net earnings by \$1.0 million (\$.01 per share) and \$2.0 million (\$.02 per share) for the three and six months ended October 31, 1992, respectively.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

#### EFFECTS OF ACCOUNTING FOR POSTEMPLOYMENT BENEFITS

In November 1992, the FASB issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which is effective for the Company in the year ending April 30, 1995. Under this statement, the cost of benefits provided to employees after employment but before retirement is to be recognized in the financial statements on an accrual basis during the service period of the employee. It is expected that implementation of this statement will not have a material impact on the financial statements of the Company.

#### ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES

In May 1993, the FASB issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which is effective for the Company in the year ending April 30, 1995. This statement sets forth the accounting for certain investments in debt and equity securities based upon management's ability and intent, at the time of purchase, to trade, hold to maturity or make available for sale such investments. The effect of this statement at the time of adoption will depend upon the Company's ability and intent with respect to such investments.

#### EFFECTS OF BUDGET RECONCILIATION ACT OF 1993

In August 1993, the Budget Reconciliation Act of 1993 (the "Act") was enacted into law. One of the provisions of the Act increased the corporate income tax rate to 35% effective January 1, 1993. This increase, from the previous 34% rate, had no material effect on the Company. The Company expects to benefit from a section of the Act permitting tax deductions derived from the amortization of certain intangible assets acquired after July 25, 1991, which deductions have not previously been claimed on tax returns filed by the Company. However, the Company believes that any tax benefits generated by the amortization of intangible assets previously acquired by it will not be material.

Furthermore, to the extent that the Company is affected by several other provisions of the Act, the results should not be material.



## PARAMOUNT COMMUNICATIONS INC.

## CONSOLIDATED BALANCE SHEET

	OCTOBER 31 1993 ----- (UNAUDITED)	APRIL 30 1993 ----- (NOTE)
	(IN MILLIONS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents . . . . .	\$ 380.6	\$ 372.6
Short-term investments . . . . .	626.5	569.7
Trade receivables . . . . .	1,062.2	829.6
Inventories - Note D . . . . .	633.7	617.3
Prepaid income taxes . . . . .	135.4	131.7
Prepaid expenses and other . . . . .	402.9	400.2
	-----	-----
TOTAL CURRENT ASSETS . . . . .	3,241.3	2,921.1
PROPERTY, PLANT AND EQUIPMENT		
Land . . . . .	252.3	210.8
Buildings . . . . .	604.5	591.4
Machinery, equipment and other . . . . .	715.4	606.9
	-----	-----
Less allowance for depreciation . . . . .	1,572.2	1,409.1
	382.4	336.1
	-----	-----
	1,189.8	1,073.0
OTHER ASSETS		
Investment in affiliated companies . . . . .	247.5	243.9
Noncurrent receivables and inventories - Note D . . . . .	774.5	689.8
Intangible assets . . . . .	1,560.3	1,517.5
Deferred costs and other . . . . .	432.1	429.5
	-----	-----
	3,014.4	2,880.7
	-----	-----
	\$7,445.5	\$6,874.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt . . . . .	\$ 10.1	\$ 109.8
Trade accounts payable . . . . .	196.5	194.7
Income taxes payable . . . . .	64.5	26.6
Accrued expenses and other . . . . .	1,170.5	1,128.4
	-----	-----
TOTAL CURRENT LIABILITIES . . . . .	1,441.6	1,459.5
DEFERRED LIABILITIES . . . . .	871.2	805.9
LONG-TERM DEBT, net of current maturities . . . . .	1,002.9	707.3
STOCKHOLDERS' EQUITY		
Common Stock, recorded at \$1.00 par value; 600,000,000 shares authorized; shares outstanding, 119,585,360 at October 31, 1993 (excluding 28,280,016 shares held in treasury) and 118,199,396 at April 30, 1993 (excluding 29,665,980 shares held in treasury) . . . . .	119.6	118.2
Paid-in surplus . . . . .	778.1	712.8
Retained earnings . . . . .	3,252.2	3,082.5
Cumulative translation adjustments . . . . .	(20.1)	(11.4)
	-----	-----
	4,129.8	3,902.1
	-----	-----
	\$7,445.5	\$6,874.8
	=====	=====

Note: Derived from audited financial statements.

See notes to consolidated financial statements.

PARAMOUNT COMMUNICATIONS INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

	SIX MONTHS ENDED OCTOBER 31	
	1993	1992
	(IN MILLIONS)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Earnings before extraordinary item . . . . .	\$ 217.2	\$ 225.5
Non-cash expenses		
Depreciation . . . . .	60.0	36.5
Deferred income taxes . . . . .	1.9	(4.2)
Amortization of intangible assets . . . . .	43.5	40.4
Amortization of pre-publication costs . . . . .	59.3	63.5
Undistributed net earnings of unconsolidated affiliates . . . . .	(10.7)	(5.6)
Theatrical and television inventories and broadcast rights		
Gross additions . . . . .	(629.6)	(437.6)
Amortization . . . . .	570.3	421.0
Increase in network features and syndication licenses . . . . .	(65.4)	(11.7)
Increase in pre-publication costs . . . . .	(40.9)	(42.8)
Increase in trade receivables . . . . .	(220.4)	(171.1)
Decrease in inventories (other than theatrical and television) . . . . .	31.8	31.3
Increase in prepaid expenses . . . . .	(0.6)	(44.6)
Increase (decrease) in trade accounts payable . . . . .	(0.7)	11.9
Increase in income taxes payable . . . . .	37.9	54.1
Increase in accrued expenses and other . . . . .	106.3	54.0
Other -- net . . . . .	39.5	18.0
	-----	-----
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES . . . . .	199.4	238.6
<b>CASH FLOWS FROM INVESTMENT AND OTHER ACTIVITIES</b>		
Expenditures for property, plant and equipment (excluding capitalized leases) . . . . .	(73.9)	(51.2)
Proceeds on disposal of property, plant and equipment . . . . .	4.7	6.6
Purchase price of acquired businesses (net of acquired cash) . . . . .	(157.3)	(423.6)
Increase in investment in affiliated companies . . . . .	(7.9)	(2.5)
Decrease (increase) in short-term and other investments . . . . .	(131.9)	94.7
Decrease in investments maturing after one year . . . . .		23.5
Decrease in notes receivable . . . . .	1.3	4.2
	-----	-----
NET CASH FLOWS USED FOR INVESTMENT AND OTHER ACTIVITIES . . . . .	(365.0)	(348.3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of long-term debt . . . . .	298.8	246.7
Payments of long-term debt . . . . .	(136.7)	(181.2)
Loss on early extinguishment of debt . . . . .		(13.4)
Issuance of Common Stock (excluding grants to employees) . . . . .	58.9	14.0
Acquisition of stock for the treasury . . . . .		(48.5)
Dividends . . . . .	(47.4)	(47.3)
	-----	-----
NET CASH FLOWS PROVIDED FROM (USED FOR) FINANCING ACTIVITIES . . . . .	173.6	(29.7)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .	8.0	(139.4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR . . . . .	372.6	463.7
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD . . . . .	\$ 380.6	\$ 324.3
	=====	=====

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE A -- BASIS OF PRESENTATION

The accompanying consolidated financial statements of Paramount Communications Inc. and its consolidated subsidiaries (Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations of any interim period are subject to year-end audit and adjustments, and are not necessarily indicative of the results of operations for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's transition report on Form 10-K for the six months ended April 30, 1993, as amended.

## Accounting Change

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to increase earnings before extraordinary item and net earnings by \$1.0 million (\$.01 per share) and \$2.0 million (\$.02 per share) for the three and six months ended October 31, 1992, respectively.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

## NOTE B -- ACQUISITION AND DISPOSITION OF BUSINESSES

In May 1993, the Company 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 June 1993, the Company agreed to sell Prentice Hall Legal and Financial Services, Prentice Hall Legal Practice Management and Prentice Hall Professional Software, three of its Publishing software and information services units, to Information America, Inc. This agreement was terminated in October 1993. In September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million. In November 1993, the Company entered into an agreement to purchase Macmillan Publishing Company and certain other assets of Macmillan Inc., a leading book publisher, for approximately \$553 million. The transaction is expected to close in early 1994.

The Company and BHC Communications, Inc., which is majority-owned by Chris-Craft Industries, Inc., have agreed to form 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. Subject to certain conditions, the network is expected to begin operations in January 1995.

In August and October 1992, the Company 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.

During the periods ended October 31, 1993 and 1992, the Company also acquired or sold certain other businesses. The contributions of these businesses in the aggregate were not significant to the Company's results of operations for the periods presented, nor are they expected to have a material effect on the Company's results on a continuing basis.

PARAMOUNT COMMUNICATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C -- EXTRAORDINARY ITEM

In September 1992, the Company redeemed \$175 million of 9 3/4% senior debentures due 2016 for \$1,061.25 per \$1,000 principal amount. The premium paid by the Company and the write-off of related unamortized discount and issuance costs resulted in a loss of \$8.8 million, net of an income tax benefit of \$4.6 million.

NOTE D -- INVENTORIES

Inventories are stated as follows (in millions):

	OCTOBER 31 1993 ----	APRIL 30 1993 ----
Current		
Lower of cost or net realizable value		
Finished goods . . . . .	\$ 225.3	\$ 248.3
Work in process . . . . .	11.2	12.8
Materials and supplies . . . . .	24.5	29.5
	-----	-----
	261.0	290.6
Theatrical and television productions		
Released . . . . .	164.5	176.9
Completed, not released . . . . .	51.4	32.7
In process and other . . . . .	108.3	61.8
	-----	-----
	324.2	271.4
Broadcast rights. . . . .	48.5	55.3
	-----	-----
	633.7	617.3
Noncurrent		
Theatrical and television productions		
Released . . . . .	96.1	155.3
In process and other . . . . .	315.6	247.0
	-----	-----
	411.7	402.3
Broadcast rights . . . . .	128.9	107.0
	-----	-----
	540.6	509.3
	-----	-----
	\$ 1,174.3	\$ 1,126.6
	=====	=====

NOTE E -- TENDER OFFERS

On October 25, 1993, Viacom Inc. (Viacom) commenced a tender offer for 51% of the outstanding shares of Common Stock of the Company at a price of \$80 per share in cash, which offer, as subsequently revised, provides for the purchase of 51% of the shares at a price of \$85 per share in cash (as so revised, the "Viacom Offer"). The Viacom Offer is being made pursuant to an Amended and Restated Agreement and Plan of Merger, dated as of October 24, 1993, as subsequently amended (the "Restated Merger Agreement"), between Viacom and the Company, which amended and restated in its entirety the Agreement and Plan of Merger, dated as of September 12, 1993, between Viacom and the Company.

The Viacom Offer and the Restated Merger Agreement contemplate the merger (the "Viacom Second - Step Merger") of the Company with Viacom on the terms, and subject to the conditions, set forth in the Restated Merger Agreement. In the Viacom Second-Step Merger, each remaining share of Common Stock would be converted into the right to receive (i) 0.20408 shares of Viacom Class A Common Stock, (ii) 1.08317 shares of Viacom Class B Common Stock and (iii) 0.30408 shares of a new series of Viacom cumulative convertible exchangeable preferred stock (the "Viacom Merger Stock Consideration").

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Restated Merger Agreement contemplates that if the Viacom Offer is not consummated and certain other conditions are satisfied, the Company will be merged with Viacom on alternate terms (the "Viacom Alternate Merger"). In the Viacom Alternate Merger, each share will be converted into the right to receive, at each stockholder's election, either (i) the Viacom Merger Stock Consideration or (ii) \$85 in cash. If either alternative is oversubscribed, stockholders will receive part of their consideration in cash or stock, as the case may be.

Pursuant to the Restated Merger Agreement, a special meeting of the Company's common stockholders will be called to act on the Viacom Second-Step Merger or the Viacom Alternate Merger. The approval of holders of a majority of all outstanding shares is required to approve either of the Viacom Second-Step Merger or the Viacom Alternate Merger. In addition, consummation of the Merger is subject to certain conditions, including receipt of regulatory approvals.

If the Restated Merger Agreement is terminated under certain limited circumstances, Viacom will be entitled to a termination payment of \$100 million. In addition, the Company has granted Viacom an option to purchase up to 23,699,000 shares of Common Stock at an exercise price of \$69.14 per share, pursuant to a stock Option Agreement, dated as of September 12, 1993, as subsequently amended (the "Stock Option Agreement"), between the Company and Viacom. Under the Stock Option Agreement, Viacom also has the right to cause the Company to pay, in consideration for the cancellation of the option, an amount equal to the excess of the then current market price of the shares over the \$69.14 exercise price multiplied by the number of shares as to which the option is exercisable. Viacom's rights under the Stock Option Agreement will become exercisable upon the same conditions triggering the termination fee under the Restated Merger Agreement.

On October 27, 1993, QVC Network, Inc. (QVC) commenced an unsolicited tender offer for approximately 51% of the Common Stock at a price of \$80 per share in cash, which offer, as subsequently revised, provides for the purchase of approximately 51% of the Common Stock at a price of \$90 per share in cash (the "QVC Offer"). Although there is no binding agreement between QVC and the Company with respect to a merger of the two entities, QVC has stated its intention, if it acquires 51% of the Common Stock, to effect a second-step merger wherein each share of Common Stock would be exchanged for (i) 1.43 shares of QVC common stock and (ii) 0.32 shares of a new series of QVC cumulative convertible exchangeable preferred stock.

QVC commenced litigation in Delaware State Court, and on December 9, 1993 the Delaware Supreme Court affirmed the order of the Delaware Chancery Court granting QVC's motion for a preliminary injunction prohibiting the Company from amending the Company's Shareholder Rights Plan or taking other action to permit completion of the currently pending Viacom Offer and related merger and denying Viacom the ability to exercise its rights pursuant to the Stock Option Agreement described above.

On December 13, 1993 the Company's Board of Directors adopted procedures for the purpose of considering any proposals to acquire the Company. Proposals are required to be delivered no later than 4:00 p.m., New York City time on Monday, December 20, 1993, unless extended. The Company's Board also determined that, under the current circumstances, it is unable to take a position with respect to whether stockholders should accept or reject either the QVC Offer or the Viacom Offer and requested that the Company's stockholders take no action with respect to either the QVC Offer or the Viacom Offer until they have been further advised of the Board's positions.

PARAMOUNT COMMUNICATIONS INC.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) Exhibits -- None
- (b) Reports on Form 8-K -- The following report on Form 8-K was filed during the three months ended October 31, 1993:
  - (i) The registrant filed a Current Report on Form 8-K, dated September 15, 1993, in respect of a merger agreement between the registrant and Viacom Inc. The items reported in such Current Report were Item 5 (Other Events) and Item 7 (Exhibits).

SIGNATURES

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

PARAMOUNT COMMUNICATIONS INC.

Date: December 14, 1993

By: /s/ Ronald L. Nelson

-----  
Ronald L. Nelson  
Executive Vice President  
and Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549-1004

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 1994  
COMMISSION FILE NUMBER 1-5404

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

PARAMOUNT COMMUNICATIONS INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

74-1330475  
(IRS Employer Identification No.)

15 COLUMBUS CIRCLE, NEW YORK, NEW YORK  
(Address of principal executive offices)

10023-7780  
(Zip Code)

Registrant's telephone number, including area code 212-373-8000.

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

At March 4, 1994, 122,787,610 shares of the registrant's Common Stock, \$1 par  
value, were outstanding.

PARAMOUNT COMMUNICATIONS INC.

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PARAMOUNT COMMUNICATIONS INC.  
PART I. FINANCIAL INFORMATION  
CONSOLIDATED STATEMENT OF EARNINGS  
(UNAUDITED)

	THREE MONTHS ENDED JANUARY 31		NINE MONTHS ENDED JANUARY 31	
	1994	1993	1994	1993
	(IN MILLIONS, EXCEPT PER SHARE)			
REVENUES . . . . .	\$ 1,013.5	\$ 943.7	\$ 3,757.0	\$ 3,210.1
Cost of goods sold . . . . .	784.2	648.8	2,545.0	2,005.5
Selling, general and administrative expenses . . . . .	281.6	293.1	914.0	884.5
	-----	-----	-----	-----
	1,065.8	941.9	3,459.0	2,890.0
	-----	-----	-----	-----
OPERATING INCOME (LOSS) . . . . .	(52.3)	1.8	298.0	320.1
Other income (expense) . . . . .	0.8	(1.5)	(2.7)	(1.5)
Interest and other investment income (expense) -- net				
Interest expense . . . . .	(24.5)	(24.2)	(70.6)	(78.2)
Interest and other investment income . . . . .	19.7	22.7	53.1	87.0
	-----	-----	-----	-----
	(4.8)	(1.5)	(17.5)	8.8
	-----	-----	-----	-----
EARNINGS (LOSS) BEFORE INCOME TAXES . . . . .	(56.3)	(1.2)	277.8	327.4
Provision (benefit) for income taxes - Note A . . . . .	(19.7)	(1.3)	97.2	101.8
	-----	-----	-----	-----
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE . . . . .	(36.6)	0.1	180.6	225.6
Extraordinary item - Note D . . . . .				(8.8)
Cumulative effect of accounting change - Note A . . . . .		(66.9)		(66.9)
	-----	-----	-----	-----
NET EARNINGS (LOSS) . . . . .	\$ (36.6)	\$ (66.8)	\$ 180.6	\$ 149.9
	=====	=====	=====	=====
Average common and common equivalent shares outstanding . . . . .			120.3	118.8
Earnings (loss) per share				
Earnings (loss) before extraordinary item and cumulative effect of accounting change . . . . .	\$ (.31)	\$ .01	\$ 1.50	\$ 1.90
Extraordinary item . . . . .				(.07)
Cumulative effect of accounting change . . . . .		(.57)		(.57)
Net earnings (loss) . . . . .	(.31)	(.56)	1.50	1.26
Cash dividends declared per common share . . . . .	.20	.20	.60	.60

See notes to consolidated financial statements.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Paramount Communications Inc. operates in the entertainment and publishing businesses. The following is a comparative summary of operating results for the three and nine months ended January 31, 1994 and 1993 (in millions):

	THREE MONTHS ENDED JANUARY 31				NINE MONTHS ENDED JANUARY 31			
	REVENUES		OPERATING INCOME (LOSS)		REVENUES		OPERATING INCOME	
	1994	1993	1994	1993	1994	1993	1994	1993
Entertainment . . . . .	\$ 714.2	\$ 639.6	\$ 13.3	\$ 51.8	\$2,371.6	\$1,888.7	\$147.6	\$166.5
Publishing . . . . .	299.3	304.1	(47.9)	(32.8)	1,385.4	1,321.4	203.8	204.2
Corporate Expenses . . . . .			(17.7)	(17.2)			(53.4)	(50.6)
	\$1,013.5	\$ 943.7	\$(52.3)	\$ 1.8	\$3,757.0	\$3,210.1	\$298.0	\$320.1
	=====	=====	=====	=====	=====	=====	=====	=====

ENTERTAINMENT

Entertainment segment revenues increased 12%, to \$714.2 million from \$639.6 million, and 26%, to \$2,371.6 million from \$1,888.7 million for the three and nine months ended January 31, 1994, respectively, compared with the same prior-year periods. Operating income declined 74% and 11% for the three and nine months ended January 31, 1994, respectively, compared with the same prior-year periods. Results for the current nine-month period included significant seasonal contributions from Paramount Parks, the Company's theme park operations, which were acquired in the fall of 1992.

Features

Revenues from features increased 32%, to \$358.4 million from \$271.4 million, and 13%, to \$941.1 million from \$834.7 million in the three and nine months ended January 31, 1994, respectively, compared with the same prior-year periods. Theatrical revenues increased 94% and 58% for the current three- and nine-month periods, respectively. The current quarter's increase was led by the performance of The Firm and Sliver internationally along with Addams Family Values and Wayne's World 2 domestically; additionally, the current nine-month period benefited from the domestic performance of The Firm and Sliver and the success of Indecent Proposal in the domestic and international theatrical markets. Home video revenues increased 69% and 4% for the current three- and nine-month periods, respectively, led by the domestic videocassette releases of The Firm and Sliver, the continued foreign and, in the current nine months, domestic success of Indecent Proposal, Patriot Games and Boomerang and increased sales from library sell-through promotional programs, which were partially offset in the current nine months by the absence of a significant sell-through title included in the same prior-year period. Pay cable revenues declined 37% and 23% for the current three- and nine-month periods, respectively, because of a weaker mix of newly available titles compared with the same prior-year periods. Revenues from network and domestic and international syndication sales of features' product fell 33% and 5% for the three and nine months ended January 31, 1994, respectively, because of fewer titles available for network broadcast.

Features generated operating income for the three months ended January 31, 1994, compared with a loss for the comparable prior-year period, while operating income declined 24% for the current nine-month period. Theatrical results improved in the current three months primarily because of contributions from the international success of The Firm and Sliver. In the nine months ended January 31, 1994, theatrical results declined slightly because of higher feature write-downs primarily related to the releases of Coneheads, Searching for Bobby Fischer, The Thing Called Love, Flesh and Bone, Addams Family Values and Bopha!, which were partially offset by contributions from Indecent Proposal and The Firm. In addition, results for the current periods were negatively impacted by higher scenario reserves related to increased development activity. Home video operations registered significantly higher operating income in the current quarter due to increased revenues and greater profitability on new releases, however, results declined in the current nine-month period because of a less profitable mix of titles. Pay cable results declined in the current three-month period because of lower revenues and a less profitable mix of titles, but increased slightly in the current nine months primarily because of an improved overall profit rate on library titles. Operating income from network features and domestic and international features syndication decreased in the current quarter on lower revenues but increased in the current nine months because of a more profitable mix of titles.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Television

Television programming revenues increased 5%, to \$179.0 million from \$170.4 million, and 24%, to \$630.5 million from \$506.5 million in the three and nine months ended January 31, 1994, respectively, compared with the same prior-year periods. Revenues from network series product declined slightly in the current quarter, but increased 48% in the current nine months. Contributions from higher network license fees driven by increased series production were more than offset in the quarter and partially offset in the current nine months by the absence of license fees for the final season of Cheers, which were recognized in the same prior-year periods; the current nine months also benefited from basic cable sales of Wings and increased syndication sales of network library titles. Revenues from first-run series product increased 21% and 15% for the current three- and nine-month periods, as contributions from Star Trek: Deep Space Nine and Leeza and increases from Star Trek: The Next Generation and Hard Copy more than offset lower revenues from The Arsenio Hall Show.

Television programming operating income declined 78% and 42% in the current three and nine months ended January 31, 1994, respectively. Results from network series product fell significantly in the current periods because of lower profitability on the mix of shows available and increased investment in new programming. First-run series product operating income declined, as higher revenues were more than offset by increased investment in new programming.

Station and Network

The Station and Network group posted an operating loss for the three months ended January 31, 1994 compared with operating income for the same prior-year period, and a 61% decline in operating income for the current nine-month period. Paramount Stations Group registered significantly higher profits principally due to an increase in revenues for the current quarter and nine months of 37%, to \$55.9 million from \$40.9 million, and 24%, to \$152.5 million from \$123.1 million, respectively, because of contributions from the September 1993 acquisition of WKBD-TV in Detroit as well as higher advertising sales. USA Networks, the Company's 50%-owned cable operations, generated operating losses in the current-year periods compared with operating income in the same prior-year periods. The sharply lower results were due largely to a \$78-million pre-tax charge at USA Network, 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 the Company recorded its share. The current periods also included continued start-up costs incurred for the Sci-Fi Channel.

Theaters

Theatrical exhibition revenues decreased 16%, to \$41.9 million from \$50.1 million, and 1%, to \$132.7 million from \$134.5 million for the three and nine months ended January 31, 1994, respectively. Revenues at Famous Players, the Company's Canadian chain, decreased 11% in the current three months due to lower attendance, and 2% in the current nine months because attendance gains driven by improved product were more than offset by unfavorable exchange rates. Operating results at Cinamerica, the Company's 50%-owned domestic theater operation, decreased in the current periods because of lower attendance and the absence of gains on the sale of theaters recorded in the prior-year periods, which were partially offset by higher average ticket prices in the current quarter and lower operating expenses in the current nine-month period. International theater operations, which are primarily jointly-owned, recorded higher operating income, principally because of increased attendance levels at all locations. Overall theatrical exhibition operating income declined 60% for the current quarter but increased 24% for the current nine months.

Madison Square Garden

Revenues for Madison Square Garden increased by 10%, to \$103.3 million from \$94.2 million, and 14%, to \$224.1 million from \$197.3 million in the current three- and nine-month periods, respectively. The sports teams' revenues increased 17% in the current quarter and 21% in the current nine months, led by greater Knickerbockers ticket sales generated by higher attendance and ticket prices, as well as higher NBA merchandising revenues; revenues for the Rangers increased slightly in the current nine-month period due to the receipt of expansion revenues, partially offset by the absence of playoff revenue. The current periods also included higher revenue from an increased number of live entertainment events in the Arena and The Paramount, increased MSG Network subscriber levels and advertising sales and greater concession revenues, but were negatively impacted in the current nine months by the absence of revenues from the Democratic National Convention recognized in the same prior-year period.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
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Operating income increased 74% in the current quarter and operating losses decreased 75% for the nine months ended January 31, 1994. The current periods included higher concession income and increased profits at MSG Network because of the increase in revenues, which were partially offset by an increase in programming and operating expenses in the current nine months. These results were partially offset by a decrease in operating income from the sports teams, where higher team compensation and operating expenses exceeded revenue gains achieved.

#### Paramount Parks

Revenues for Paramount Parks, which were acquired in several transactions during the quarters ended October 31, 1992 and July 31, 1993, increased to \$301.7 million in the current nine months from \$60.1 million in the same prior-year period. Operating income increased in the nine months ended January 31, 1994 reflecting the inclusion of a full nine months of operations versus a partial six months in the prior year. Operating income for the current quarter included modest seasonal losses that approximated those in the same prior-year quarter; certain other expenses incurred in the current off-season quarter to prepare the theme parks for the operating season have been deferred and will be amortized over the subsequent operating season, which generally begins in March and ends in October.

#### PUBLISHING

Publishing revenues decreased 2% in the three months ended January 31, 1994, to \$299.3 million from \$304.1 million, but increased 5%, to \$1,385.4 million from \$1,321.4 million, for the nine months ended January 31, 1994, compared with the same prior-year periods. Publishing operations, which traditionally record profits in the quarters ended July 31 and October 31, 1994 posted 46% higher operating losses for the three months ended January 31, 1994 compared with the prior-year quarter, while operating income for the nine months ended January 31, 1994 approximated the prior-year nine-month period.

#### Consumer

Revenues increased 22%, to \$90.2 million from \$74.1 million, and 11%, to \$325.5 million from \$294.3 million, in the current three- and nine-month periods, compared with the same prior-year periods. These increases were primarily due to contributions from frontlist hardcover titles at the Simon & Schuster trade division and at Pocket Books along with increased frontlist paperback sales at Pocket Books, and in the current three months because of higher backlist hardcover sales at the trade division. Additionally, the current-year periods benefited from higher sales from the audio releases of successful consumer group titles, and higher international revenues partially offset by weaker frontlist and backlist demand for reference and children's books.

Consumer publishing operating losses decreased 24% in the current quarter, while operating income rose 57% in the current nine months as increased revenues were partially offset by increased product development and operating expenses in the current three- and nine-month periods, along with higher product support expenses in the current quarter.

#### Business, Technical and Professional

Revenues declined 8% for the quarter, to \$66.5 million from \$72.5 million in the prior-year quarter, while the current nine-month revenues decreased 5%, to \$235.6 million from \$248.8 million in the prior nine-month period. Lower sales of multimedia programs and video products were partially offset by increased sales of computer hardware and software instruction books. Additionally, the current quarter benefited from increased sales of tax and professional books and publications, while the current nine months reflected lower sales of these products along with increased sales from self-improvement products and higher revenues from business seminars.

Operating losses increased significantly in the current three months, while operating income decreased 80% in the current nine months because of lower revenues and increased operating expenses. Additionally, the current nine-month period reflects lower product development expenses and increased product support expenses.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Education

Revenues decreased 13% in the current three months, to \$112.9 million from \$130.5 million, but increased 6%, to \$707.8 million from \$664.8 million for the nine months ended January 31, 1994, compared with the same prior-year periods. Elementary education revenues declined 23% for the quarter, to \$15.6 million from \$20.2 million in the prior-year quarter, while the nine month revenues increased 2%, to \$237.4 million from \$232.2 million in the prior nine-month period. The current-year periods were impacted by lower sales of puzzles and manipulatives along with decreased sales from educational video products. Sales increased, however, in the current nine months primarily because of increased adoption opportunities and the introduction of new reading, social studies and religion products, along with higher sales of multicultural and phonics programs. Secondary education revenues rose 8%, to \$8.5 million in the current quarter from \$7.9 million in the prior-year quarter, while the current nine-month revenues rose 17%, to \$141.4 million from \$120.6 million in the prior nine-month period. The increased revenues are primarily attributable to the success of the latest program releases, including science products in the current three- and nine-month periods, along with the latest language arts and social studies products in the current nine-month period. Revenues at higher education decreased 16%, to \$78.2 million in the current quarter from \$93.4 million in the prior-year quarter primarily because of volume-incentive programs offered in the three months ended October 31, 1993 which resulted in a shift of bookstore orders into the second quarter along with lower sales of business, economics and accounting textbooks, as compared with the prior-year periods. Revenues for the current nine-month period increased slightly to \$262.8 million from \$262.5 million in the prior nine-month period from improved frontlist sales in the social science and education disciplines. Educational technology revenues rose 18%, to \$10.6 million from \$9.0 million in the prior-year quarter, while the current nine-month revenues increased 34% to \$66.2 million from \$49.5 million in the prior nine-month period. The increased revenues were primarily due to increased sales of computer learning stations, in the current three and nine-month periods, and to sales of related software products in the current nine months.

Operating losses increased 89% in the current three months as decreased revenues and increased product development and operating expenses were partially offset by lower product support expenses. In the current nine months, operating income rose 15% as increased sales and lower operating expenses were partially offset by increased product support and development expenses.

International

Revenues of \$34.3 million in the current quarter and \$136.1 million in the current nine months reflect an increase of 8% and 10%, respectively, as compared with revenues of \$31.8 million and \$123.5 million, respectively, in the prior-year three- and nine-month periods. Sales gains in Asia, the United Kingdom and Mexico, largely attributable to increased adoptions and improved sales of computer books, along with the acquisition of a German computer book publisher were partially offset by decreased sales of educational products in Canada.

Operating losses for the current quarter decreased 20%, while operating income improved 12% in the current nine-month period as increased sales were partially offset by increased product support and development and operating expenses.

Additionally, publishing operations reflect lower corporate administrative expenses in the current three-months, while these expenses were higher in the current nine-month period.

INTEREST AND OTHER INVESTMENT INCOME (EXPENSE) -- NET

Earnings for the current-year periods reflect net interest and other investment expense of \$4.8 million and \$17.5 million, compared with net interest and other investment expense of \$1.5 million for the prior-year three-month period and net interest and other investment income of \$8.8 million in the prior-year nine-month period. This decrease stems primarily from lower interest and other investment income because of lower average cash equivalents and short-term investments and interest rates. The lower average cash equivalents and short-term investments were primarily a result of acquisitions and the funding of the working capital requirements of the Company. The decrease in interest and other investment income was partially offset by lower interest expense in the current-year nine-month period, which included lower effective interest rates on the Company's debt.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
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OTHER

The effective rate for income taxes was 35% in the nine months ended January 31, 1994 compared with a 31.1% rate (as restated - see below) for the comparable prior-year period. The increase is the result of the amount of foreign income subject to tax at lower foreign rates as a percentage of total worldwide income and increases in income subject to federal, state and local income taxes. Corporate expenses for the current-year periods include costs related to the start-up of the Paramount Technology Group, a new business unit responsible for the integration of emerging technologies, including new product development, throughout the Company's entertainment and publishing operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company depended primarily on internal cash flow and external borrowings to finance its operations during the nine months ended January 31, 1994, and expects to continue to do so. In connection with the tender offers and merger proposals described in Note B to the consolidated financial statements, the Company has discontinued its regular quarterly dividend payment.

In May 1993, the Company 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. The Company subsequently liquidated Paramount Canada's Wonderland debt obligations of approximately \$31 million. In September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million. In February 1994, the Company acquired Macmillan Publishing Company and certain other assets of Macmillan Inc., a leading book publisher, for approximately \$553 million.

The Company 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.

In July 1993, the Company redeemed \$100 million of 8 1/2% senior notes due 1996. Also, in July 1993, the Company completed a public offering of \$150 million of 5 7/8% senior notes due 2000 and \$150 million of 7 1/2% senior debentures due 2023. A portion of the net proceeds was used to refinance the previously mentioned redemption of the Company's 8 1/2% senior notes. The remainder of such proceeds was used to fund the acquisitions of television station WKBD-TV in Detroit and the remaining 80% interest in Paramount Canada's Wonderland theme park. Total debt as a percentage of total capitalization increased from 17% at April 30, 1993 to 19% at January 31, 1994. In the past, the Company has been able to increase its borrowings as required and expects to be able to continue to do so.

Trade receivables increased at January 31, 1994, compared to April 30, 1993 by 26%. Entertainment receivables increased principally because of the recognition of domestic syndication contracts for major television programs in the fall season along with videocassette sales due to the holiday season and significant current releases. In publishing, receivable balances were higher at educational publishing, due to the prior quarters being the peak selling seasons, and at consumer publishing from recent frontlist and holiday season sales.

The balance sheet at January 31, 1994, reflects the acquisitions of the remaining 80% interest in Paramount Canada's Wonderland theme park and television station WKBD-TV in Detroit, which contributed to changes in certain balance sheet accounts as compared to April 30, 1993.

ACCOUNTING CHANGES

Effective November 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Company's previous practice was to recognize the cost of such postretirement benefits when paid.

PARAMOUNT COMMUNICATIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company 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, or \$.57 per share.

In February 1992, the Financial Accounting Standards Board (FASB) issued SFAS No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was an adjustment which increased earnings before extraordinary item and cumulative effect of accounting change by \$0.9 million (\$.01 per share) and \$2.9 million (\$.03 per share) for the three and nine months ended January 31, 1993, respectively. This adjustment also decreased net loss and increased net earnings for the prior-year three- and nine-month periods, respectively.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

EFFECTS OF ACCOUNTING FOR POSTEMPLOYMENT BENEFITS

In November 1992, the FASB issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which is effective for the Company in the year ending April 30, 1995. Under this statement, the cost of benefits provided to employees after employment but before retirement is to be recognized in the financial statements on an accrual basis during the service period of the employee. It is expected that implementation of this statement will not have a material impact on the financial statements of the Company.

ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES

In May 1993, the FASB issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which is effective for the Company in the year ending April 30, 1995. This statement sets forth the accounting for certain investments in debt and equity securities based upon management's ability and intent, at the time of purchase, to trade, hold to maturity or make available for sale such investments. The effect of this statement at the time of adoption will depend upon the Company's ability and intent with respect to such investments.

EFFECTS OF BUDGET RECONCILIATION ACT OF 1993

In August 1993, the Budget Reconciliation Act of 1993 (the "Act") was enacted into law. One of the provisions of the Act increased the corporate income tax rate to 35% effective January 1, 1993. This increase, from the previous 34% rate, had no material effect on the Company. The Company expects to benefit from a section of the Act permitting tax deductions derived from the amortization of certain intangible assets acquired after July 25, 1991, which deductions have not previously been claimed on tax returns filed by the Company. However, the Company believes that any tax benefits generated by the amortization of intangible assets previously acquired by it will not be material.

Furthermore, to the extent that the Company is affected by several other provisions of the Act, the results should not be material.

PARAMOUNT COMMUNICATIONS INC.

CONSOLIDATED BALANCE SHEET

	JANUARY 31 1994 ----- (UNAUDITED)	APRIL 30 1993 ----- (NOTE)
	(IN MILLIONS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents . . . . .	\$ 727.6	\$ 372.6
Short-term investments . . . . .	153.9	569.7
Trade receivables . . . . .	1,043.3	829.6
Inventories - Note E . . . . .	625.2	617.3
Prepaid income taxes . . . . .	180.2	131.7
Prepaid expenses and other . . . . .	450.9	400.2
	-----	-----
TOTAL CURRENT ASSETS . . . . .	3,181.1	2,921.1
PROPERTY, PLANT AND EQUIPMENT		
Land . . . . .	252.7	210.8
Buildings . . . . .	651.7	591.4
Machinery, equipment and other . . . . .	705.4	606.9
	-----	-----
	1,609.8	1,409.1
Less allowance for depreciation . . . . .	400.5	336.1
	-----	-----
	1,209.3	1,073.0
OTHER ASSETS		
Investment in affiliated companies . . . . .	209.0	243.9
Noncurrent receivables and inventories - Note E . . . . .	786.3	689.8
Intangible assets . . . . .	1,567.9	1,517.5
Deferred costs and other . . . . .	463.2	429.5
	-----	-----
	3,026.4	2,880.7
	-----	-----
	\$7,416.8	\$6,874.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt . . . . .	\$ 10.4	\$ 109.8
Trade accounts payable . . . . .	150.1	194.7
Income taxes payable . . . . .	36.3	26.6
Accrued expenses and other . . . . .	1,233.1	1,128.4
	-----	-----
TOTAL CURRENT LIABILITIES . . . . .	1,429.9	1,459.5
DEFERRED LIABILITIES . . . . .	799.8	805.9
LONG-TERM DEBT, net of current maturities . . . . .	1,000.3	707.3
STOCKHOLDERS' EQUITY		
Common Stock, recorded at \$1.00 par value; 600,000,000 shares authorized; shares outstanding, 121,896,951 at January 31, 1994 (excluding 25,965,097 shares held in treasury) and 118,199,396 at April 30, 1993 (excluding 29,665,980 shares held in treasury . . . . .	121.9	118.2
Paid-in surplus . . . . .	894.3	712.8
Retained earnings . . . . .	3,191.4	3,082.5
Cumulative translation adjustments . . . . .	(20.8)	(11.4)
	-----	-----
	4,186.8	3,902.1
	-----	-----
	\$7,416.8	\$6,874.8
	=====	=====

Note: Derived from audited financial statements.

See notes to consolidated financial statements.



PARAMOUNT COMMUNICATIONS INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

NINE MONTHS ENDED  
JANUARY 31

-----  
1994            1993  
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(IN MILLIONS)

CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before extraordinary item and cumulative effect of accounting change . . . . .	\$ 180.6	\$ 225.6
Non-cash expenses		
Depreciation . . . . .	78.8	53.7
Deferred income taxes . . . . .	(53.3)	(3.8)
Amortization of intangible assets . . . . .	45.7	42.4
Amortization of pre-publication costs . . . . .	74.6	76.9
Undistributed net earnings of unconsolidated affiliates . . . . .	(10.3)	(18.7)
Theatrical and television inventories and broadcast rights		
Gross additions . . . . .	(918.1)	(670.2)
Amortization . . . . .	838.4	625.5
Decrease (increase) in network features and syndication licenses . . . . .	(36.0)	5.3
Increase in pre-publication costs . . . . .	(62.0)	(59.8)
Increase in trade receivables . . . . .	(214.2)	(68.4)
Decrease in inventories (other than theatrical and television) . . . . .	35.1	30.8
Increase in prepaid expenses . . . . .	(49.7)	(77.5)
Increase (decrease) in trade accounts payable . . . . .	(47.1)	11.9
Increase in income taxes payable . . . . .	9.7	16.9
Increase in accrued expenses and other . . . . .	168.4	2.6
Other -- net . . . . .	(22.0)	(80.4)
	-----	-----
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES . . . . .	18.6	112.8
CASH FLOWS FROM INVESTMENT AND OTHER ACTIVITIES		
Expenditures for property, plant and equipment (excluding capitalized leases) . . . . .	(111.8)	(72.1)
Proceeds on disposal of property, plant and equipment . . . . .	5.1	7.2
Purchase price of acquired businesses (net of acquired cash) . . . . .	(166.8)	(423.6)
Decrease (increase) in investment in affiliated companies . . . . .	30.1	(1.9)
Decrease in short-term and other investments . . . . .	340.7	156.0
Decrease in investments maturing after one year . . . . .		23.5
Decrease in notes receivable . . . . .	4.5	5.1
	-----	-----
NET CASH FLOWS PROVIDED FROM (USED FOR) INVESTMENT AND OTHER ACTIVITIES . . . . .	101.8	(305.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long-term debt . . . . .	298.8	246.7
Payments of long-term debt . . . . .	(140.1)	(184.6)
Loss on early extinguishment of debt . . . . .		(13.4)
Issuance of Common Stock (excluding grants to employees) . . . . .	147.6	31.4
Acquisition of stock for the treasury . . . . .		(68.8)
Dividends . . . . .	(71.7)	(70.9)
	-----	-----
NET CASH FLOWS PROVIDED FROM (USED FOR) FINANCING ACTIVITIES . . . . .	234.6	(59.6)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .	355.0	(252.6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR . . . . .	372.6	463.7
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD . . . . .	\$ 727.6	\$ 211.1
	=====	=====

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE A -- BASIS OF PRESENTATION

The accompanying consolidated financial statements of Paramount Communications Inc. and its consolidated subsidiaries (Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations of any interim period are subject to year-end audit and adjustments, and are not necessarily indicative of the results of operations for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's transition report on Form 10-K for the six months ended April 30, 1993, as amended.

## Accounting Changes

Effective November 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Company's previous practice was to recognize the cost of such postretirement benefits when paid.

The Company 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, or \$.57 per share.

In February 1992, the Financial Accounting Standards Board (FASB) issued SFAS No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was an adjustment which increased earnings before extraordinary item and cumulative effect of accounting change by \$0.9 million (\$.01 per share) and \$2.9 million (\$.03 per share) for the three and nine months ended January 31, 1993, respectively. This adjustment also decreased net loss and increased net earnings for the prior-year three- and nine-month periods, respectively.

Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

## NOTE B -- TENDER OFFERS AND MERGER PROPOSALS

On December 13, 1993, the Company's Board of Directors adopted procedures (the "Bidding Procedures") for the purpose of considering proposals to acquire the Company. Pursuant to the Bidding Procedures, from December 20, 1993 through February 1, 1994, Viacom Inc. (Viacom) and QVC Network, Inc. (QVC) submitted a series of bids for the Company. After the initial round of bidding, the Company entered into a merger agreement with QVC. Prior to the February 1 bidding deadline established by the Bidding Procedures, Viacom substantially increased its bid and the Company terminated the agreement with QVC and entered into a merger agreement with Viacom.

On February 1, 1994, both Viacom and QVC submitted their final proposals for the acquisition of the Company. Viacom's proposal consisted of a tender offer (the "Viacom Offer") for 50.1% of the outstanding shares of the Company's Common Stock (the "Shares"), on a fully diluted basis, at \$107 per Share to be followed by a merger (the "Viacom Second-Step Merger") in which each remaining Share would be converted into the right to receive (i) 0.93065 shares of Viacom Class B Common Stock, (ii) 0.93065 Contingent Value Rights, (iii) 0.5 three-year Warrants to purchase Viacom Class B Common Stock, (iv) 0.3 five-year Warrants to purchase Viacom Class B Common Stock and (v) \$17.50 in principal amount of 8% exchangeable subordinated debentures of Viacom.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

QVC's proposal consisted of a tender offer (the "QVC Offer") for 50.1% of the outstanding Shares, on a fully diluted basis, at \$104 per Share to be followed by a merger in which each remaining Share would be converted into the right to receive (i) 1.2361 shares of QVC Common Stock, (ii) 0.2386 shares of a new series of 6% cumulative non-convertible exchangeable preferred stock and (iii) 0.32 ten-year Warrants to purchase QVC Common Stock.

At a meeting held on February 4, 1994, the Company's Board of Directors recommended that stockholders accept the Viacom Offer and reject the QVC Offer. At that time, the Company entered into an Amended and Restated Merger Agreement with Viacom (the "Restated Viacom Merger Agreement").

As of midnight on February 14, 1994, approximately 74.6% of the outstanding Shares, on a fully diluted basis, had been validly tendered pursuant to the Viacom Offer and not withdrawn. As a result, pursuant to the Bidding Procedures, on February 15, 1994 Viacom waived certain conditions to the Viacom Offer and extended the offer until March 1, 1994 and QVC terminated the QVC Offer. Immediately after midnight on March 1, 1994, all conditions to the Viacom Offer were deemed to have been satisfied and Viacom accepted for payment 61,657,432, of the Shares validly tendered and not withdrawn pursuant to the Viacom Offer.

Pursuant to the Restated Viacom Merger Agreement, a special meeting of the Company's stockholders will be called to act on the Viacom Second-Step Merger. The approval of holders of a majority of all outstanding voting shares of both Viacom and the Company is required to approve the merger. The approval by Viacom's stockholders is assured by means of a voting agreement between Viacom's parent corporation and the Company. The approval by Paramount's stockholders is assured since Viacom now owns a majority of the outstanding Shares.

The Restated Viacom Merger Agreement also provides that consummation of the Viacom Second-Step Merger is subject to certain customary conditions.

## NOTE C -- ACQUISITION AND DISPOSITION OF BUSINESSES

In May 1993, the Company 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 September 1993, the Company purchased television station WKBD-TV in Detroit from Cox Enterprises Inc. for approximately \$105 million. In February 1994, the Company acquired Macmillan Publishing Company and certain other assets of Macmillan Inc., a leading book publisher, for approximately \$553 million.

The Company 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.

In August and October 1992, the Company 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.

During the periods ended January 31, 1994 and 1993, the Company also acquired or sold certain other businesses. The contributions of these businesses in the aggregate were not significant to the Company's results of operations for the periods presented, nor are they expected to have a material effect on the Company's results on a continuing basis.

## NOTE D -- EXTRAORDINARY ITEM

In September 1992, the Company redeemed \$175 million of 9 3/4% senior debentures due 2016 for \$1,061.25 per \$1,000 principal amount. The premium paid by the Company and the write-off of related unamortized discount and issuance costs resulted in a loss of \$8.8 million, net of an income tax benefit of \$4.6 million.

PARAMOUNT COMMUNICATIONS INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E -- INVENTORIES

Inventories are stated as follows (in millions):

	JANUARY 31 1994 ----	APRIL 30 1993 ----
Current		
Lower of cost or net realizable value		
Finished goods . . . . .	\$ 223.2	\$ 248.3
Work in process . . . . .	14.5	12.8
Materials and supplies . . . . .	22.3	29.5
	-----	-----
	260.0	290.6
Theatrical and television productions		
Released . . . . .	222.0	176.9
Completed, not released . . . . .	27.8	32.7
In process and other . . . . .	66.5	61.8
	-----	-----
	316.3	271.4
Broadcast rights. . . . .	48.9	55.3
	-----	-----
	625.2	617.3
Noncurrent		
Theatrical and television productions		
Released . . . . .	120.1	155.3
In process and other. . . . .	332.2	247.0
	-----	-----
	452.3	402.3
Broadcast rights. . . . .	116.3	107.0
	-----	-----
	568.6	509.3
	-----	-----
	\$1,193.8	\$1,126.6
	=====	=====

## PART II. OTHER INFORMATION

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

## (a) Exhibits --

- 4(a) -- Amendment No. 2, dated as of September 12, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 2 to Paramount Communications Form 8-A on Form 8-A/A dated September 22, 1993).
- 4(b) -- Amendment No. 3, dated as of October 24, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 3 to Paramount Communications Form 8-A on Form 8-A/A dated November 5, 1993).
- 4(c) -- Amendment No. 4, dated as of November 6, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 4 to Paramount Communications Form 8-A on Form 8-A/A dated November 15, 1993).
- 4(d) -- Amendment No. 5, dated as of December 22, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 5 to Paramount Communications Form 8-A on Form 8-A/A dated January 5, 1994).
- 4(e) -- Amendment No. 6, dated as of January 21, 1994, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 6 to Paramount Communications Form 8-A on Form 8-A/A dated January 31, 1994).
- 4(f) -- Amendment No. 7, dated as of March 1, 1994, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 7 to Paramount Communications Form 8-A on Form 8-A/A dated March 2, 1994).
- \*(10)(iii)(A)(1) -- Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Martin S. Davis.
- \*(10)(iii)(A)(2) -- Amendment dated as of February 11, 1994, to the Agreement dated as of January 12, 1993 between Paramount Communications and Ronald L. Nelson.
- \*(10)(iii)(A)(3) -- Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Donald Oresman.

## (b) Reports on Form 8-K -- The following reports on Form 8-K were filed during the three months ended January 31, 1994:

- (i) The registrant filed a Current Report on Form 8-K, dated January 4, 1994, in respect of the registrant terminating the Amended and Restated Agreement and Plan of Merger with Viacom Inc. and entering into an Agreement and Plan of Merger with QVC Network, Inc. The items reported in such Current Report were Item 5 (Other Events) and Item 7 (Exhibits).
- (ii) The registrant filed a Current Report on Form 8-K, dated January 28, 1994, in respect of the registrant terminating the Agreement and Plan of Merger with QVC Network, Inc. and entering into an Agreement and Plan of Merger with Viacom Inc. The items reported in such Current Report were Item 5 (Other Events) and Item 7 (Exhibits).

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\* Filed herewith.

PARAMOUNT COMMUNICATIONS INC.

SIGNATURES

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

PARAMOUNT COMMUNICATIONS INC.

Date: March 8, 1994

By: /s/ Ronald L. Nelson

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Ronald L. Nelson  
Executive Vice President  
and Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
4(a)	-- Amendment No. 2, dated as of September 12, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 2 to Paramount Communications Form 8-A on Form 8-A/A dated September 22, 1993).
4(b)	-- Amendment No. 3, dated as of October 24, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 3 to Paramount Communications Form 8-A on Form 8-A/A dated November 5, 1993).
4(c)	-- Amendment No. 4, dated as of November 6, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 4 to Paramount Communications Form 8-A on Form 8-A/A dated November 15, 1993).
4(d)	-- Amendment No. 5, dated as of December 22, 1993, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 5 to Paramount Communications Form 8-A on Form 8-A/A dated January 5, 1994).
4(e)	-- Amendment No. 6, dated as of January 21, 1994, to Paramount Communications Shareholder Rights Agreement, as amended (Incorporated by reference to Amendment No. 6 to Paramount Communications Form 8-A on Form 8-A/A dated January 31, 1994 ).
(10)(iii)(A)(1)	-- Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Martin S. Davis.
(10)(iii)(A)(2)	-- Amendment dated as of February 11, 1994, to the Agreement dated as of January 12, 1993 between Paramount Communications and Ronald L. Nelson.
(10)(iii)(A)(3)	-- Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 between Paramount Communications and Donald Oresman.

Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 (the "Agreement") between Paramount Communications Inc. (the "Company") and Martin S. Davis (the "Executive").

WHEREAS, the Executive is employed pursuant to the Agreement and was granted thereunder restricted shares of Paramount common stock (the "Shares");

WHEREAS, the Shares are subject to transfer restrictions set forth in the Agreement which will prevent the Executive from tendering such Shares to Viacom Inc. ("Viacom") pursuant to its currently outstanding tender offer for approximately 51% of the Company's common stock;

WHEREAS, the Company and the Executive wish to remove these transfer restrictions but only to the extent required to permit Executive to tender his Shares to, and only with respect to those Shares purchased for cash by, Viacom pursuant to such offer;

NOW, THEREFORE, the Company and the Executive agree that Section 11.2(b) of the Agreement shall be amended by adding the following provisions at the end thereof:

Notwithstanding the foregoing, Shares may be tendered by Executive to Viacom Inc. ("Viacom") pursuant to its tender offer, instituted prior to February 11, 1994, for approximately 51% of the Shares of Company common stock for cash; provided that any Shares not purchased by Viacom for cash shall remain subject to the restrictions and other terms and conditions set forth in this Agreement and any cash received in exchange for Shares pursuant to such tender offer shall be free of all restrictions.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed and the Executive has executed this Amendment as of the date first above written.

PARAMOUNT COMMUNICATIONS INC.

By: -----

-----  
Martin S. Davis



Amendment dated as of February 11, 1994, to the Agreement dated as of January 12, 1993 (the "Agreement") between Paramount Communications Inc. (the "Company") and Ronald L. Nelson (the "Executive").

WHEREAS, the Executive is employed pursuant to the Amended and Restated Agreement dated as of November 17, 1987 and restated as of June 23, 1989, as modified by an Amendment dated as of December 21, 1992 (the "Amendment");

WHEREAS, pursuant to the Agreement, the Executive was granted restricted shares of Paramount common stock (the "Shares") in consideration for the extension of his employment term as set forth in the Amendment;

WHEREAS, the Shares are subject to transfer restrictions set forth in the Agreement which will prevent the Executive from tendering such Shares to Viacom Inc. ("Viacom") pursuant to its currently outstanding tender offer for approximately 51% of the Company's common stock;

WHEREAS, the Company and the Executive wish to remove these transfer restrictions but only to the extent required to permit Executive to tender his Shares to, and only with respect to those shares purchased for cash by, Viacom pursuant to such offer;

NOW, THEREFORE, the Company and the Executive agree that Section 1.2(b) of the Agreement shall be amended by adding the following provisions at the end thereof:

Notwithstanding the foregoing, Shares may be tendered by Executive to Viacom Inc. ("Viacom") pursuant to its tender offer, instituted prior to February 11, 1994, for approximately 51% of the Shares of Company common stock for cash; provided that any shares not purchased by Viacom for cash shall remain subject to the restrictions and other terms and conditions set forth in this Agreement and any cash received in exchange for Shares pursuant to such tender offer shall be free of all restrictions.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed and the Executive has executed this Amendment as of the date first above written.

PARAMOUNT COMMUNICATIONS INC.

By: \_\_\_\_\_

\_\_\_\_\_  
Ronald L. Nelson

Amendment dated as of February 11, 1994, to the Amended and Restated Agreement dated as of October 1, 1985 and restated as of June 23, 1989 (the "Agreement") between Paramount Communications Inc. (the "Company") and Donald Oresman (the "Executive").

WHEREAS, the Executive is employed pursuant to the Agreement and was granted thereunder restricted shares of Paramount common stock (the "Shares");

WHEREAS, the Shares are subject to transfer restrictions set forth in the Agreement which will prevent the Executive from tendering such Shares to Viacom Inc. ("Viacom") pursuant to its currently outstanding tender offer for approximately 51% of the Company's common stock;

WHEREAS, the Company and the Executive wish to remove these transfer restrictions but only to the extent required to permit Executive to tender his Shares to, and only with respect to those Shares purchased for cash by, Viacom pursuant to such offer;

NOW, THEREFORE, the Company and the Executive agree that Section 10.2(b) of the Agreement shall be amended by adding the following provisions at the end thereof:

Notwithstanding the foregoing, Shares may be tendered by Executive to Viacom Inc. ("Viacom") pursuant to its tender offer, instituted prior to February 11, 1994, for approximately 51% of the Shares of Company common stock for cash; provided that any shares not purchased by Viacom for cash shall remain subject to the restrictions and other terms and conditions set forth in this Agreement and any cash received in exchange for Shares pursuant to such tender offer shall be free of all restrictions.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed and the Executive has executed this Amendment as of the date first above written.

PARAMOUNT COMMUNICATIONS INC.

By: \_\_\_\_\_

\_\_\_\_\_  
Donald Oresman