

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, 1994 COMMISSION FILE NUMBER 1-9553

VIACOM INC.

(Exact Name Of Registrant As Specified In Its Charter)

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

1515 Broadway, New York, NY 10036  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

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

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

Title Of Each Class	Name Of Each Exchange On Which Registered
Class A Common Stock, \$0.01 par value	American Stock Exchange
Class B Common Stock, \$0.01 par value	American Stock Exchange
Warrants Expiring on July 7, 1997	American Stock Exchange
Warrants Expiring on July 7, 1999	American Stock Exchange
Contingent Value Rights	American Stock Exchange
Variable Common Rights	American Stock Exchange
8% Exchangeable Subordinated Debentures due 2006	American Stock Exchange
6.625% Senior Notes due 1998	New York 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 27, 1995, 74,684,715 shares of Viacom Inc. Class A Common Stock, \$0.01 par value ("Class A Common Stock"), and 284,965,503 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 \$45.50 per share as reported by the American Stock Exchange on that date) held by non-affiliates was approximately \$1,273,335,609 and the aggregate market value of the shares of the Class B Common Stock (based upon the closing price of \$44.875 per share as reported by the American Stock Exchange on that date) held by non-affiliates was approximately \$10,300,917,362.

DOCUMENTS INCORPORATED BY REFERENCE

The Definitive Proxy of the Registrant for the 1995 Annual Meeting of Shareholders (Part III to the extent described herein).

## Part I

### Item 1. Business.

#### Background

Viacom Inc. (together with its subsidiaries and divisions, unless the context otherwise requires, the "Company") is a diversified entertainment and publishing company with operations in five segments: (i) Networks and Broadcasting, (ii) Entertainment, (iii) Video and Music/Theme Parks, (iv) Publishing, and (v) Cable Television. Through the Networks and Broadcasting segment, the Company operates MTV: MUSIC TELEVISION (R), SHOWTIME (R), NICKELODEON(R)/NICK AT NITE (R) and VH1 MUSIC FIRST (TM), among other program services, and 12 broadcast television and 12 radio stations. Through the Entertainment segment, which includes PARAMOUNT PICTURES (TM) and the Company's approximately 77%- owned subsidiary Spelling Entertainment Group Inc., the Company produces and distributes theatrical motion pictures and television programming. Through the Video and Music/Theme Parks segment, which includes the BLOCKBUSTER(R) family of businesses and PARAMOUNT PARKS (TM), the Company is the leading worldwide owner, operator and franchisor of videocassette rental and sales stores and a leading owner and operator of music stores in the U.S. In addition, PARAMOUNT PARKS owns and operates five theme parks located in the U.S. and Canada. Through the Publishing segment, which includes SIMON & SCHUSTER(R), MACMILLAN PUBLISHING USA(TM) and PRENTICE HALL(R), the Company publishes and distributes educational, consumer, business, technical and professional books, and audio-video software products. Through the Cable Television segment, the Company operates cable television systems serving approximately 1.1 million customers.

The Company was organized in Delaware in 1986 for the purpose of acquiring Viacom International Inc. ("Viacom International"). On March 11, 1994, the Company acquired a majority of outstanding shares of Paramount Communications Inc. ("Paramount Communications") by tender offer; on July 7, 1994, Paramount Communications became a wholly owned subsidiary of the Company, and, on January 3, 1995, Paramount Communications was merged into Viacom International. On September 29, 1994, Blockbuster Entertainment Corporation merged with and into the Company (the "Blockbuster Merger"). On January 20, 1995, the Company agreed to sell its cable television systems to a partnership of which Mitgo Corp., a company wholly owned by Frank Washington, is the general partner, for approximately \$2.3 billion, subject to certain conditions, including receipt of a tax certificate from the Federal Communications Commission ("FCC") and the availability of certain federal tax consequences of the sale advantageous to the Company. The U.S. House of Representatives and the U.S. Senate have each approved a similar version of legislation that would eliminate such tax consequences. The House of Representatives has also approved a compromise version of the bill, which is awaiting Senate approval. The Company has announced that it will not proceed with the agreed transaction in the event that such tax consequences are unavailable. (see "Business -- Regulation"). The Company has also announced that it is considering other options with respect to the disposition of its cable systems and that it intends to proceed with such disposition. On March 10, 1995, the Company sold Madison Square Garden Corporation for closing proceeds of approximately \$1.009 billion, representing the sale price of approximately \$1.075 billion, less an approximately \$66 million working capital adjustment. The net after-tax proceeds of the sale were used to repay indebtedness.

As of March 1, 1995, National Amusements, Inc. ("NAI"), a closely held corporation that owns and operates more than 900 movie screens in the U.S. and the U.K., owned approximately 61% of the Company's voting Class A Common Stock ("Class A Common Stock"), and approximately 26% of the Company's outstanding Class A Common Stock and non-voting Class B Common Stock ("Class B Common Stock") on a combined basis. NAI is not subject to the informational filing requirements of the Securities Exchange Act of 1934, as amended. Sumner M. Redstone, the controlling shareholder of NAI, is the Chairman of the Board of the Company.

The Company's principal offices are located at 1515 Broadway, New York, New York 10036 (telephone 212/258-6000). At December 31, 1994, the Company and its affiliated companies employed approximately 70,000 people, of which approximately 30,700 were full-time salaried employees.

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## Business

### Networks and Broadcasting

**Networks.** The Company, through MTV Networks ("MTVN"), operates three advertiser-supported basic cable television program services in the U.S.: MTV: MUSIC TELEVISION(R) ("MTV") (including the U.S. feed of MTV LATINO(TM)), VH1 MUSIC FIRST(TM) ("VH1") and NICKELODEON(R)/NICK AT NITE(R). The Company also operates three premium subscription services in the U.S.: SHOWTIME(R), THE MOVIE CHANNEL(TM) and FLIX(TM). Additionally, the Company participates as a joint venture partner in four additional advertiser-supported basic cable program services in the U.S.: USA NETWORK(TM) and the SCI-FI CHANNEL(TM) (both of which are operated by USA Networks), COMEDY CENTRAL(TM), and ALL NEWS CHANNEL(TM). Internationally, the Company owns and operates MTV EUROPE(TM), MTV LATINO(TM), VH-1(TM) in the U.K. and VH-1(TM) in Germany, and participates as a joint venture partner in NICKELODEON U.K. The Company plans to launch MTV ASIA(TM) in the second quarter of 1995, NICKELODEON AUSTRALIA(TM), a premium subscription television service, also in 1995, and VH-1(TM) in Latin America in 1996. The Company has also entered into a joint venture agreement for the development and launch of MTV SOUTH AFRICA(TM) in 1996, and has entered into a joint venture with Ravensburger Film & TV GmbH, which has received a license to launch NICKELODEON(TM) in Germany. The Company also packages satellite-delivered program services for distribution to home satellite dish owners in the U.S. through SHOWTIME SATELLITE NETWORKS(TM).

**MTV Networks.** Each of MTV, MTV EUROPE, MTV LATINO, NICKELODEON/NICK AT NITE and VH1 (including VH-1 in the U.K.) is a 24-hours-a-day, seven-days-a-week program service transmitted via satellite for distribution by cable television operators and other distributors.

MTV targets young adult viewers from the ages of 12 to 34 with programming that consists primarily of music videos and concerts, music and general lifestyle information, comedy and dramatic series, news specials, interviews, documentaries and other youth-oriented programming. Additionally, international MTV program services are regionally customized to suit the local tastes of their young adult viewers by the inclusion of local music, programming, language content and on-air personalities.

MTV has expanded its business opportunities based on its programming to include, among other enterprises, an MTV line of home videos, merchandise, interactive products and books, and electronic retailing programs. MTV also pursues broadcast network and first-run syndication television opportunities and motion picture development and production through its MTV Productions operation.

MTV was licensed to approximately 54.2 million domestic cable subscribers at December 31, 1994 (based on subscriber counts provided by each cable system). According to the December 1994 sample reports issued by the A.C. Nielsen Company (the "Nielsen Report"), MTV reached approximately 58.7 million domestic subscriber households.

MTV EUROPE is designed to communicate with Europe's youth in their language by providing a high percentage of European-sourced youth programming, including music videos, and focusing on fashion, movies, news, trends and social issues. MTV EUROPE is distributed via cable systems, direct-to-home satellite transmission and terrestrial re-broadcast of the satellite transmission in Europe and certain countries in the former Soviet Union and the Middle East.

According to Pan European Television Audience Research, MTV EUROPE reached approximately 59.1 million subscribers at December 31, 1994.

MTV LATINO, launched in October 1993, reaches subscribers to cable, multichannel, multidistribution systems ("MMDS") and satellite master antenna television systems ("SMATV") and direct-to-home satellite viewers in approximately 20 countries in Latin America and in the U.S. MTV LATINO was distributed to approximately 4.8 million subscribers at December 31, 1994 (based on subscriber counts provided by each distributor of the service).

MTV ASIA, which is expected to launch in the second quarter of 1995, will reach subscribers throughout Asia via cable, terrestrial MMDS, SMATV and direct-to-home satellite dishes. MTV ASIA will consist of two separate satellite feeds, one primarily in Mandarin, the other primarily in English.

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MTVN has licensing arrangements covering the distribution of regionally-specific program services in Brazil and Japan. MTVN also licenses worldwide MTV programs, merchandise and format rights.

NICKELODEON combines acquired and originally produced programs in a pro-social, non-violent format comprising two distinct program units tailored to age-specific demographic audiences. NICKELODEON, targeted to audiences ages 2 to 14 (which includes NICK JR., a program block designed for 2 to 5 year olds), features live-action, animation and original kid game shows. NICK AT NITE primarily attracts an audience ages 18 to 49 and offers "Classic TV(TM)" shows from various eras, including THE DICK VAN DYKE SHOW, THE MARY TYLER MOORE SHOW and TAXI. At December 31, 1994, NICKELODEON was licensed to approximately 55.6 million cable subscribers and NICK AT NITE was licensed to approximately 55.2 million cable subscribers (based on subscriber counts provided by each cable system for each program unit). According to the Nielsen Report, NICKELODEON and NICK AT NITE each reached approximately 60.9 million subscriber households. In 1994, NICKELODEON expanded its brand and character licensing programs in the U.S. and international markets by entering into merchandise agreements throughout the world and by producing audio and video product in the U.S. and Canada for distribution under its agreement with Sony Music Entertainment, Inc. ("Sony Music"). Additionally, NICKELODEON has commenced publication of NICKELODEON books with Simon & Schuster and has introduced "The Big Help" campaign to encourage volunteerism among young people and "U to U", a fully interactive television program.

NICKELODEON in the U.K. is a joint venture of the Company and British Sky Broadcasting Limited and is a 12-hours-a-day, seven-days-a-week satellite-delivered children's programming service which includes original programming produced by NICKELODEON and the joint venture.

VH1 presents music videos, long-form music-based series, original concerts, music-based news segments, fashion, comedy and promotions and targets an audience from the ages of 25 to 44. On October 17, 1994, VH1 was relaunched as VH1 MUSIC FIRST in the U.S. At December 31, 1994, VH1 was licensed to approximately 47.2 million domestic cable subscribers (based on subscriber counts provided by each cable system). According to the Nielsen Report, VH1 reached approximately 49.8 million domestic subscriber households. VH-1 in the U.K. was launched in September 1994 and is distributed to approximately 3.1 million viewers in the U.K. and Ireland via cable systems and direct-to-home satellite transmission as of December 31, 1994 (based on subscriber counts provided by each distributor of the service). VH-1 in Germany was launched in March 1995. The Company has announced plans to launch VH-1 in Latin America in 1996.

MTVN, in exchange for cash and advertising time or promotional consideration only, licenses from record companies the availability of music videos for exhibition on MTV and on MTVN's other basic cable networks. The agreements generally provide that the videos are available for debut by MTVN and that certain videos are subject to exclusive exhibition periods on MTV. In

October 1994, MTVN entered into a music video licensing agreement with Sony Music which licenses to MTVN international exhibition rights in key territories. MTVN's ability to continue to obtain music videos on favorable terms is material to MTVN. (See "Business -- Competition")

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 operators and other distributors. The sale of MTVN advertising time is affected by viewer demographics, viewer ratings and market conditions for advertising time. Adverse changes in general market conditions for advertising may affect MTVN's revenues. MTVN also derives revenues from the license fees paid by cable operators and other distributors which deliver programming by non-cable technologies. In 1994, MTVN derived approximately 59% of its revenues from music programming and approximately 41% of its revenues from children's and other programming.

Showtime Networks Inc. Showtime Networks Inc. ("SNI") operates three 24-hours-a-day, seven-days-a-week commercial-free, premium subscription services: SHOWTIME, offering theatrically released feature films, dramatic series, comedy specials, boxing events, 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. SHOWTIME, THE MOVIE CHANNEL and FLIX are offered to cable television operators and other distributors 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. SHOWTIME, THE MOVIE CHANNEL and FLIX are also offered to distributors for subscription by home satellite dish owners, including United States Satellite Broadcasting Inc., a subsidiary of Hubbard Broadcasting, Inc., which uses high-powered Ku-Band direct broadcast satellite technology. At December 31, 1994, SHOWTIME, THE MOVIE CHANNEL and FLIX, in the aggregate, had approximately 13.5 million cable and other subscribers in approximately 8,800 cable systems as well as other distribution systems in 50 states and certain U.S. territories. In January 1995, SNI and Robert Redford announced plans to launch, in late 1995, the Sundance Film Channel, designed to be a commercial-free 24-hours-a-day, seven-days-a-week premium subscription service featuring independent and foreign language films and documentaries.

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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. For example, SNI recently announced an exclusive multi-year agreement among former heavyweight champion Mike Tyson, Don King Productions, Inc., SNI and SET PAY PER VIEW for the pay-per-view marketing and exhibition of all of Mike Tyson's fights over three years. SNI, through its subsidiary, Showtime Satellite Networks Inc., packages for distribution to home satellite dish owners the Company's wholly owned program services as well as COMEDY CENTRAL, USA NETWORK, the SCI-FI CHANNEL, and certain third-party program services.

In order to exhibit theatrical motion pictures on premium subscription television, SNI enters into commitments to acquire rights, with an emphasis on acquiring exclusive rights for SHOWTIME and THE MOVIE CHANNEL, from major or independent motion picture producers and other distributors. SNI's exhibition rights always cover the U.S. 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. Many of the motion pictures which appear on FLIX have been previously available for standard broadcast and other exhibitions.

SNI also arranges for the development, production and, in many cases, distribution of original programs and motion pictures. These original programs and motion pictures premiere on SHOWTIME and certain of such programming is

exploited in various media worldwide.

The cost of acquiring premium television rights to programming is the principal expense of SNI. At December 31, 1994, in addition to program acquisition commitments reflected in the Company's financial statements, SNI had commitments to acquire programming rights at an aggregate cost of approximately \$1.9 billion, most of which is payable over the next seven years as part of SNI's normal programming expenditures. 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.

Joint Ventures. USA Networks, a joint venture of the Company and MCA, Inc. ("MCA"), operates two national advertiser-supported basic cable television networks: USA NETWORK, a general entertainment and sports channel, and the SCI-FI CHANNEL, a science fiction channel. COMEDY CENTRAL, a joint venture of the Company, through MTVN, and Home Box Office ("HBO"), is an advertiser-supported basic cable television comedy service. ALL NEWS CHANNEL, a joint venture of a subsidiary of the Company and Conus Communications Company Limited Partnership, a limited partnership whose managing general partner is Hubbard Broadcasting, Inc., consists of national and international news, weather, sports and business news. Each of USA NETWORK, the SCI-FI CHANNEL, COMEDY CENTRAL and ALL NEWS CHANNEL is a 24-hours-a-day, seven-days-a-week service.

Broadcasting. The Company owns and operates 12 television stations and 12 radio stations. All of the 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.

The Company's strategy has been to acquire independent television stations in the top 20 U.S. markets to the extent advantageous in conjunction with the Company's formation of the United Paramount Network ("UPN") (See "Business -- Entertainment"). The Company acquired WSBK-TV, serving Boston, Massachusetts, on March 7, 1995 and has entered into agreements to acquire WGBS-TV, serving Philadelphia, Pennsylvania and WBFS-TV, serving Miami, Florida. The Company sold WLFL-TV, serving Raleigh/Durham, North Carolina, on January 17, 1995 and has entered into agreements to sell WTXF-TV, serving Philadelphia, Pennsylvania and KRRT-TV, serving San Antonio, Texas. The table below sets forth a list of the 12 television properties owned and operated by the Company at March 31, 1995.

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Station and Metropolitan Area Served	Type	Network Affiliation and Expiration Date of Affiliation Agreement
WTXF-TV * Philadelphia, PA	VHF	Fox/contingent upon sale*
WSBK-TV Boston, MA	UHF	UPN/January 16, 1998
WDCA-TV Washington, DC	VHF	UPN/January 16, 1998
KTXA-TV Dallas, TX	VHF	UPN/January 16, 1998
WKBD-TV Detroit, MI	VHF	UPN/January 16, 1998
KTXH-TV Houston, TX	VHF	UPN/January 16, 1998
KMOV-TV		

St. Louis, MO	VHF	CBS/December 31, 1996
KRRT-TV * San Antonio, TX	VHF	UPN/January 16, 1998
WVIT-TV Hartford-New Haven-New Britain-Waterbury, CT	UHF	NBC/July 2, 1995
WNYT-TV Albany-Troy-Schenectady, NY	VHF	NBC/September 28, 1995
WHEC-TV Rochester, NY	VHF	NBC/August 13, 1996
KSLA-TV Shreveport, LA	VHF	CBS/June 30, 1995

\*The Company has entered into agreements to sell these television stations.

The Company owns and operates the following 12 radio stations: WLTW-FM, serving New York, New York (Adult Contemporary), KYSR-FM and KXEZ-FM, each serving Los Angeles, California (Adult Contemporary), WLIT-FM, serving Chicago, Illinois (Adult Contemporary), WLTI-FM, serving Detroit, Michigan (Adult Contemporary), WMZQ-AM/FM (Country), WJZW-FM (Jazz) and WCPT-AM (CNN Headline News), each serving Washington, D.C., KBSG-AM/FM, serving Tacoma/Seattle, Washington (Oldies), and KNDD-FM, serving Seattle, Washington (New Rock/AOR). The Company has undertaken to divest two stations in the Washington, D.C. market as a result of multiple ownership issues arising from the acquisition of Paramount Communications (See "Business -- Regulation"). On March 22, 1995, the Company sold KSOL-FM, serving San Francisco, California, and KYLZ-FM, serving Santa Cruz/San Jose, California.

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## Entertainment

The Entertainment segment's principal businesses are the production and distribution of motion pictures and television programming as well as movie theater operations and new media and interactive services.

Theatrical Motion Pictures. Through PARAMOUNT PICTURES(TM), the Company produces, finances and distributes feature motion pictures. Motion pictures are produced by PARAMOUNT PICTURES, produced by independent producers and financed in whole or in part by PARAMOUNT PICTURES, or produced by others and acquired by PARAMOUNT PICTURES. Each picture is a separate and distinct product with its financial success dependent upon many factors, among which cost and public response are of fundamental importance. Feature motion pictures are produced or acquired for distribution, normally for exhibition in U.S. and foreign theaters followed by videocassettes and discs, pay-per-view television, premium subscription television, network television, and basic cable television and syndicated television exploitation. During 1994, PARAMOUNT PICTURES released 16 feature motion pictures, including FORREST GUMP, winner of six Academy Awards including "Best Picture", STAR TREK: GENERATIONS, NOBODY'S FOOL, and CLEAR AND PRESENT DANGER. PARAMOUNT PICTURES plans to release approximately 16 to 18 films in 1995. In seeking to maximize PARAMOUNT PICTURES' output, while decreasing its financial exposure, the Company has entered into agreements to distribute films produced and/or financed by other parties. For example, entities associated with the Company have agreements with companies with which Michael Douglas and Steven Reuther are associated, for the production and/or financing of 12 films over four years. PARAMOUNT PICTURES also has an agreement with Lakeshore Entertainment Corporation ("Lakeshore") for the distribution by PARAMOUNT PICTURES of 15 films to be produced by Lakeshore over five years. In addition, PARAMOUNT PICTURES entered into an agreement with Columbia Pictures for PARAMOUNT PICTURES' upcoming feature film THE INDIAN IN THE CUPBOARD, which will be co-financed by the studios and for which they will

divide distribution rights and revenues.

PARAMOUNT PICTURES distributes its motion pictures for theatrical release outside the U.S. and Canada through United International Pictures ("UIP"), a company owned by entities associated with the Company, MGM and MCA. PARAMOUNT PICTURES distributes its motion pictures on videocassette and disc in the U.S. and Canada through Paramount Home Video and outside the U.S. and Canada, through Cinema International B.V., a joint venture of entities associated with the Company and MCA. PARAMOUNT PICTURES has an exclusive premium subscription television agreement with HBO for exhibition of PARAMOUNT PICTURES' new releases on domestic premium subscription television, which includes new PARAMOUNT PICTURES motion pictures released theatrically through December 1997. PARAMOUNT PICTURES also distributes its motion pictures for premium subscription television release outside the U.S. and Canada through UIP and is a joint venture partner in HBO Pacific Partners C.V., Latin American Pay Television Service, VOF, Telecine Programacao de Filmes Ltda., and Pay-TV Movies Australia, which are premium television services in Asia, Spanish-speaking Latin America, Brazil and Australia, respectively. PARAMOUNT PICTURES also licenses its motion pictures to home and hotel/motel pay-per-view, airlines, schools and universities. UIP and United Cinemas International ("UCI", as described below) are the subject of various governmental inquiries by the Commission of the European Community ("EC") and Monopolies and Mergers Commission of the U.K. Such inquiries are not expected to have a material effect on the Company (See "Business -- Competition"). Most motion pictures are also licensed for exhibition on television, including basic cable television, with fees generally collected in installments.

All of the above license fees for television exhibition (including international and domestic premium television and basic cable television) are recorded as revenue in the year that the films are available for such exhibition, which, among other reasons, may cause substantial fluctuation in PARAMOUNT PICTURES' operating results. At December 31, 1994, the unrecognized revenues attributable to such licensing of completed films from PARAMOUNT PICTURES' license agreements were approximately \$574.7 million. PARAMOUNT PICTURES has over 900 motion pictures in its library.

Television Production and Syndication. The Company also produces and distributes series, miniseries, specials and made-for-television movies for network television, first-run syndication, premium subscription and basic cable television, videocassettes and video discs, and live television programming. As a result of the Blockbuster Merger, the Company acquired approximately 77% of Spelling Entertainment Group Inc. ("Spelling"), which includes Spelling Television, Republic Pictures and Worldvision Enterprises ("Worldvision").

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The Company's current network programming includes FRASIER, WINGS, THE MOMMIES, THE MARSHAL, SISTER, SISTER, DIAGNOSIS: MURDER and MATLOCK, and through Spelling, BEVERLY HILLS, 90210 and MELROSE PLACE. Generally, a network will license a specified number of episodes for exhibition on the network in the U.S. during the license period. All other distribution rights, including foreign and off-network syndication rights, are retained by the Company. The episodic license fee is normally less than the Company's and Spelling's respective costs of producing each series episode; however, in many cases, the Company has been successful in obtaining international sales through its and Spelling's respective syndication operations. Foreign sales are generally concurrent with U.S. network runs. Generally, a series must have a network run of at least four years to be successfully sold in syndication.

The Company produces television programming for first-run syndication which programs are sold directly to television stations in the U.S. on a market-by-market basis. The Company sells its programs to television stations for cash, advertising time or a combination of both. Where a product is licensed in exchange for advertising time, through what are known as "barter agreements", a broadcaster agrees to give the Company a specified amount of advertising time, which the Company subsequently sells. The Company's first-run syndicated



programming includes such shows as STAR TREK: DEEP SPACE NINE, ENTERTAINMENT TONIGHT, HARD COPY, SIGHTINGS, THE MAURY POVICH SHOW, THE MONTEL WILLIAMS SHOW and THE JON STEWART SHOW. PARAMOUNT PICTURES recently entered into an agreement with Procter & Gamble Productions, Inc. ("P&G") pursuant to which P&G will co-finance certain network and first-run syndicated programming produced by PARAMOUNT PICTURES during the term of the agreement.

The Company produces original programming, including STAR TREK: VOYAGER, PLATYPUS MAN, PIGSTY and THE WATCHER, for UPN. UPN launched on January 16, 1995 in more than 95 U.S. television markets and currently provides to its affiliates four hours per week of primetime programming. UPN is currently 100% owned by subsidiaries of BHC Communications, Inc. ("BHC"), an affiliate of Chris Craft Industries, Inc. The Company has an option exercisable through January 15, 1997 to acquire an interest in UPN equal to that of BHC and its subsidiaries for a price equivalent to approximately one-half of BHC's aggregated cash contributions to UPN through the exercise date, plus market-based interest.

The Company distributes or syndicates television series, feature films, made-for-television movies, miniseries and specials for television exhibition in domestic and/or international broadcast, cable and other marketplaces. Feature film and television properties distributed by the Company are produced by the Company and/or Spelling or acquired from third parties. Third party agreements for the acquisition of distribution rights are generally long-term and exclusive in nature; such agreements frequently guarantee a minimum recoupable advance payment to such third parties and generally provide for periodic payment to such third parties based on the amount of revenues derived from distribution activities after deduction of the Company's percentage distribution fee, recoupment of distribution expenses and recoupment of any advance payments. The Company and Worldvision together control the rights to distribute substantially all of the pre-1971 libraries of CBS, NBC and ABC.

The receipt and recognition of revenues for license fees for completed television programming in syndication and on basic cable is similar to that of feature films exhibited on television and, consequently, operating results are subject to substantial fluctuation. At December 31, 1994, the unrecognized revenues attributable to television program license agreements were approximately \$486.4 million.

Theatrical Exhibition. The Company's movie theater operations consist primarily of Famous Players in Canada, UCI and Films Paramount in Europe, and Cinamerica in the Western U.S. Famous Players operates 465 screens in 109 theaters throughout Canada. UCI, a 50%-owned joint venture of entities associated with the Company and MCA, operates 247 screens in 26 theaters in the U.K. and Ireland, 51 screens in four theaters in Germany, nine screens in one theater in Austria and 81 screens in 25 theaters in Spain. UCI also manages in six countries, 31 screens in 17 theaters which are owned by Cinema International Corporation, a joint venture with MCA. Films Paramount operates seven screens in one theater in France. Cinamerica, a 50%-owned joint venture of entities associated with the Company and Time Warner Inc., includes Mann and Festival Theaters and operates 349 screens in 65 theaters in California, Colorado, Arizona and Alaska.

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New Media and Interactive Services. Viacom Interactive Media is comprised of Viacom New Media and Viacom Interactive Services. Viacom New Media develops, produces, publishes, markets and distributes interactive software on a wide variety of platforms. Viacom New Media derives its content from brands and franchises developed by Viacom's business units, including PARAMOUNT PICTURES, MTV Networks and Paramount Television, and also secures outside licenses and acquisitions. In 1994, Viacom New Media released 12 titles, some of which were released for multiple platforms; the titles represent 16 stock keeping units ("sku's"). In 1995, Viacom New Media expects to release 12 new titles, representing 29 sku's. Viacom Interactive Services collaborates with the Company's various business units to develop their respective on-line and

interactive television environments. The Company, through Spelling, also owns 90% of Virgin Interactive Entertainment Ltd. ("Virgin"), a leading video game producer with a library of more than 100 titles which distributes video games in approximately 30 countries. In 1994, Virgin released 54 titles, some of which were released for multiple platforms; the titles represent 90 sku's. In 1995, Virgin expects to release 71 new titles, representing 130 sku's.

#### Video and Music/Theme Parks

The Company operates in the home video retailing and rental business, music retailing business, and theme parks business through its Blockbuster Entertainment Group ("Blockbuster").

Home Video Retailing. Blockbuster is the leading worldwide owner, operator and franchisor of videocassette rental and sales stores. BLOCKBUSTER VIDEO (R) stores range in size from approximately 3,800 square feet to 11,500 square feet, and generally carry a comprehensive selection of 7,000 to 13,000 prerecorded videocassettes, consisting of more than 5,000 titles.

At December 31, 1994, there were 4,069 video stores in Blockbuster's system, of which 3,067 were Blockbuster-owned and 1,002 were franchise-owned. Blockbuster-owned video stores at December 31, 1994 included 711 stores operating under the "Ritz" and "Blockbuster Video Express" trade names in Europe. At December 31, 1994, the BLOCKBUSTER VIDEO system operated in all 50 states and 13 foreign countries. The Company expects to add approximately 650 stores systemwide in 1995. Also in 1995, the Company entered into franchise agreements pursuant to which BLOCKBUSTER VIDEO stores will be opened in Columbia, Peru and Thailand, and the Company formed a joint venture with Burda, one of Germany's largest publishers, to develop BLOCKBUSTER VIDEO stores in Germany. During the first quarter of 1995, 132 small video stores operating under the "Ritz" trade name in the U.K. were closed in connection with the Company's conversion of "Ritz" stores to "Blockbuster Video Express" stores.

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

Music Retailing. Through music stores operating under the "Blockbuster Music" trade name, Blockbuster is among the largest specialty retailers of prerecorded music in the United States. At December 31, 1994, Blockbuster owned and operated 542 music stores in 34 states. These music stores range in size from 900 to 24,600 square feet and generally carry a comprehensive selection of 25,000 to 135,000 compact discs and audio cassettes consisting of up to 60,000 titles.

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

Theme Parks. The Company, through PARAMOUNT PARKS (TM), owns and operates five regional theme parks in the U.S. and Canada: Paramount's Carowinds, in Charlotte, North Carolina; Paramount's Great America, in Santa Clara, California; Paramount's Kings Dominion located near Richmond, Virginia;

Paramount's Kings Island located near Cincinnati, Ohio; and Paramount Canada's Wonderland located near Toronto, Ontario. Substantially all of the theme parks' operating income is generated from May through September. In December 1994, PARAMOUNT PARKS and Hilton Hotels Corporation agreed to launch STAR TREK: THE EXPERIENCE, a futuristic-themed, interactive environment within the Las Vegas Hilton which is expected to open in late 1996.

Other Entertainment. At December 31, 1994, the Company owned approximately 49.6% of the outstanding common stock of Discovery Zone, Inc. ("Discovery Zone") (approximately 36.7% on a fully diluted basis). Discovery Zone owns, operates and franchises large indoor recreational spaces known as FunCenters, and operates Leaps and Bounds indoor entertainment and fitness facilities. Blockbuster is also a partner in a joint venture with Discovery

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Zone to develop up to 10 FunCenters in the U.K. The Company accounts for its interest in Discovery Zone as an equity interest. Through joint ventures with Sony Music and PACE Entertainment Corporation, the Company operates seven amphitheatres in the U.S., with plans to open an eighth amphitheater in mid-1995. Through PARAMOUNT PARKS, the Company owns five additional amphitheatres. Through PARAMOUNT PARKS, the Company owns and operates BLOCK PARTY (TM) entertainment centers in Indianapolis, Indiana and Albuquerque, New Mexico, each of which were opened in January 1995. The Company also owns an approximately 35% interest in Catapult Entertainment, Inc., a company which has established a service enabling multiple video game players to compete against one another from different locations in "real time" by modem without requiring modification to either hardware or software.

#### Publishing

The Company, principally through Simon & Schuster and affiliated companies, publishes and distributes hardcover and paperback books, educational textbooks, supplemental educational materials and multimedia products, and provides information and reference services for business and professions. In February 1994, Simon & Schuster completed the acquisition of the U.S. publishing assets of Macmillan, Inc. for approximately \$553 million. Simon & Schuster's well-known imprints include SIMON & SCHUSTER, THE FREE PRESS, POCKET BOOKS, MACMILLAN PUBLISHING USA, PRENTICE HALL, SCRIBNER, SILVER BURDETT GINN, ALLYN AND BACON, COMPUTER CURRICULUM CORPORATION and EDUCATIONAL MANAGEMENT GROUP, among others. Simon & Schuster distributes its books directly and through third parties on a retail and wholesale basis.

Educational Publishing. The Elementary, Secondary, Higher Education and Educational Technology divisions 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 and ALLYN AND BACON, among others. In February 1995, Simon & Schuster acquired all of the outstanding stock of Educational Management Group Inc., an interactive telecommunications company that develops and distributes customized instructional materials and live interactive television services to schools and reaches more than one million students in 3,500 schools. Computer Curriculum Corporation delivers multimedia coursework to more than 1.5 million students in approximately 8,000 schools in six countries. The educational marketplace is subject to seasonal fluctuations in its business which correlate to the traditional school year. Sales to elementary and secondary schools are dependent, in part, on the "adoption" or selection of instructional materials by designated state agencies. 22 states and some localities limit the textbooks that may be purchased with state funds to those books that have been approved by the adoption authority.

Consumer Publishing. The Consumer division publishes and distributes hardcover, trade paperback and mass market books under imprints including SIMON & SCHUSTER, POCKET BOOKS, SCRIBNER, THE FREE PRESS, SIMON & SCHUSTER TRADE PAPERBACK, which includes FIRESIDE, TOUCHSTONE, SCRIBNER PAPERBACK FICTION and

SIMON & SCHUSTER LIBROS AGUILAR ESPANOL as well as SIMON & SCHUSTER CHILDREN'S PUBLISHING, which includes ALADDIN PAPERBACKS, ATHENEUM BOOKS FOR YOUNG READERS, LITTLE SIMON, MARGARET K. McELDERRY BOOKS, and SIMON & SCHUSTER BOOKS FOR YOUNG READERS. In 1994, the Consumer division announced the formation of Simon & Schuster New Media, combining Simon & Schuster Audio, the world's largest publisher of audio books, with the newly created Simon & Schuster Interactive, which has 15 CD-ROM titles scheduled for publication in 1995. The consumer marketplace is subject to increased periods of demand in the summer months and during the end-of-year holiday season.

Business, Training and Healthcare Publishing. Through a wide variety of imprints, Simon & Schuster publishes a full range of business, professional training, and medical healthcare information products, including books, newsletters, journals, seminars, videos, loose-leaf series and multimedia programs. Operating units include The New York Institute of Finance, Appleton & Lange, Jossey-Bass, The Bureau of Business Practice, and Prentice Hall Direct.

Reference Publishing - Macmillan Publishing USA. Macmillan Publishing USA, the umbrella identity of Simon & Schuster's reference publishing operations, is the industry leader in computer book publishing and a leader in home/library reference publishing. The unit's imprints include MACMILLAN

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COMPUTER PUBLISHING USA (QUE, SAMS, HAYDEN BOOKS, NEW RIDERS PUBLISHING, BRADY GAMES), MACMILLAN GENERAL REFERENCE USA (ARCO, BETTY CROCKER, BURPEE, FROMMER'S TRAVEL GUIDES, HARRAP'S BILINGUAL DICTIONARIES, HOWELL BOOK HOUSE, MONARCH NOTES, J.K. LASSER, THE PLACES RATED ALMANAC, THE UNOFFICIAL GUIDES, WEBSTER'S NEW WORLD), MACMILLAN LIBRARY REFERENCE USA (CHARLES SCRIBNER'S SONS, G.K. HALL, MACMILLAN REFERENCE USA) and MACMILLAN DIGITAL USA, which publishes computer books and reference content in electronic formats.

International. The International Group publishes approximately 650 titles each year, primarily in the areas of academic, computer, English language training, and professional publishing in 10 languages and 34 countries outside North America. The International Group also maintains co-publishing partnerships in 14 countries, such as Japan (Toppan and Impress) and Hungary (Novotrade), whose operations include distribution of U.S. product, local language translation and adaptation of U.S. product, and indigenous publishing. In January 1995, the Company acquired German computer book publisher Markt & Technik, enhancing the Company's position as the world's largest computer book publisher and providing greater opportunities for expansion into other European markets, particularly Eastern Europe.

#### Cable Television

Cable Operations. At December 31, 1994, the Company, through Viacom Cable Television ("Viacom Cable"), was approximately the 12th largest multiple cable television system operator in the U.S. with approximately 1.1 million subscribers. On January 20, 1995, the Company agreed to sell its cable television systems to a partnership of which Mitgo Corp., a company wholly owned by African American businessman Frank Washington, is the general partner, for approximately \$2.3 billion, subject to certain conditions, including receipt of a tax certificate from the FCC and the availability of certain federal tax consequences of the sale advantageous to the Company. The U.S. House of Representatives and the U.S. Senate have approved a similar version of legislation that would eliminate such tax consequences. The House of Representatives has also approved a compromise version of the bill, which is awaiting Senate approval. The Company has announced that it will not proceed with the agreed transaction in the event that such tax consequences are unavailable (see "Business -- Regulation"). The Company has also announced that it is considering other options with respect to the disposition of its cable systems and that it intends to proceed with such disposition. Viacom Cable's systems are operated pursuant to non-exclusive franchises granted by local governing authorities.

In most of its systems, 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 ("PEG") channels 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. In addition, Viacom Cable has introduced a third tier of non-premium service which qualifies as a non-regulated "new product tier" under the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") in its Nashville, Tennessee, Pittsburg, California, Puget Sound South and most of its Puget Sound North and Central systems. Each such tier consists of five channels of advertiser-supported cable networks.

The monthly service fees for Limited Service and the Satellite Value Package are regulated under the 1992 Cable Act (See "Business -- Regulation"). The Company offers customers the Company's own basic program services (including joint venture program services) as well as third-party services. None of Viacom Cable's systems is presently exempt from rate regulation under the 1992 Cable Act. The new product tiers mentioned above are not rate regulated at the present time, but the FCC has reserved the right to reopen the issue of rate regulation for new product tiers in the future.

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 \$11.95 per premium service. At December 31, 1994, the Company's cable television systems had approximately 875,000 subscriptions to premium cable television program services.

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Viacom Cable also derives revenues from the lease of certain fiber optic capacity in three of its markets to partnerships engaged in competitive access telephone services and in all of its markets from advertising sales 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. 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. Although management believes the equipment used in the cable operations is in good operating condition, except for ordinary wear and tear, the Company 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: 1990: \$46 million; 1991: \$45 million; 1992: \$55 million; 1993: \$79 million; and 1994: \$100 million. The Company expects that Viacom Cable's capital expenditures in 1995 will be approximately \$135 million. A substantial amount of the capital expenditures for 1995 will be reimbursed by the buyer if the proposed sale of Viacom Cable is consummated.

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 consolidated affiliates of the Company currently have an approximately 25% equity interest on a combined basis), other interactive programs with Viacom Interactive Media, video-on-demand services, multiplexed services, and advanced interactive video and data services.

Viacom Cable  
As of December 31, 1994

	Approximate Homes in Franchise Area (1)	Approximate Home Passed by Cable (2)	Number of Primary Customers (3)	Primary Penetration (4)	Premium Units (5)	Premium Penetration (6)	Miles of Cable Distribution
<b>Bay Area Region</b>							
Marin (7)	81,000	77,700	62,400	80%	35,500	57%	645
Sonoma (7)	46,000	45,300	35,800	79%	20,100	56%	533
Napa	33,000	32,300	23,400	72%	14,100	60%	319
East Bay/Castro Valley (7)	86,000	87,000	72,900	84%	65,500	90%	681
Pittsburg/Pinole (7)	73,000	72,700	53,900	74%	49,800	92%	565
San Francisco	355,000	337,400	170,200	50%	130,400	77%	711
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Total Bay Area Region	674,000	652,400	418,600	64%	315,400	75%	3,454
<b>Ore-Cal Region</b>							
Redding (7)	57,000	54,900	35,400	64%	20,700	58%	654
Oroville	43,000	39,500	25,400	64%	11,000	43%	488
Salem	76,000	74,100	45,000	61%	28,400	63%	613
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Total Ore-Cal Region	176,000	168,500	105,800	63%	60,100	57%	1,755
Puget Sound Region (7)	628,000	609,500	425,900	70%	312,000	73%	6,278
<b>Midwest Region</b>							
Nashville (7)	271,000	233,200	135,900	58%	129,500	95%	2,286
Dayton (7)	98,000	94,100	52,900	56%	58,200	110%	634
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Total Midwest Region	369,000	327,300	188,800	58%	187,700	99%	2,920
Total Viacom Cable	1,847,000	1,757,700	1,139,100	65%	875,200	77%	14,407

- (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.

## Intellectual Property

It is the Company's practice to maintain U.S. and foreign legal protection for its theatrical and television product, software, publications and its other original and acquired works. The following logos and trademarks are among those strongly identified with the product lines they represent and are significant assets of the Company: VIACOM (R), the BLOCKBUSTER (R) family of marks, MACMILLAN (R), MTV: MUSIC TELEVISION (R), NICK AT NITE (R), NICKELODEON (R), the PARAMOUNT (R) family of marks, POCKET BOOKS (TM), SIMON & SCHUSTER (R), SHOWTIME (R) and VH1 MUSIC FIRST (TM).

## COMPETITION

### Networks

MTVN. 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.

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At December 31, 1994, there were 31 principal cable program services and superstations, each with over 10 million subscribers, under contract with A.C. Nielsen Company, including MTV, VH1, NICKELODEON (including NICKELODEON and NICK AT NITE program segments), USA NETWORK and the SCI-FI CHANNEL. The Nielsen Report ranked USA NETWORK fourth, NICKELODEON/NICK AT NITE seventh, MTV twelfth, VH1 sixteenth and the SCI-FI CHANNEL twenty-sixth, in terms of subscriber households.

Certain major record companies have announced plans to launch music-based program services in the U.S. and internationally. Major worldwide record companies have attempted to license their music videos to MTV EUROPE only on a collective basis, the lawfulness of which is being challenged by MTV EUROPE (See "Item 3. Legal Proceedings").

SNI. Competition among premium subscription television program services is primarily dependent on: (1) the acquisition and packaging of an

adequate number of recently released quality motion pictures; and (2) the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors 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 Tele-Communications, Inc.) launched Starz!, a premium subscription television program service featuring recently released motion pictures, in competition with SNI's premium program services.

General. The Company's antitrust suit against Tele-Communications, Inc., et al., which is pending in the Southern District of New York, is currently suspended pending satisfaction of certain conditions, which, if satisfied, would lead to settlement of the action. (See "Item 3. Legal Proceedings")

The potential exists that one or more telephone companies ("telcos"), either individually or in groups, will enter the business of creating and distributing program services, both inside and outside their respective service areas (See "Cable Television -- Video Dialtone Regulations" below). The Company cannot predict the impact that telco entry into those businesses may have on the Company's program services.

#### Broadcasting

The principal methods of competition in the television and radio broadcasting field are the development of audience interest through programming and promotions. Unlike broadcast station owners which seek network affiliates, the Company's strategy has been to seek to acquire independent stations each of which will be primarily affiliated with UPN. At this time, UPN has very limited programming and, to the extent that the Company acquires independent affiliates, there will be a need for those stations to acquire additional programming. 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")

Direct broadcast satellite ("DBS") distribution of programs commenced in 1994. Additionally, the FCC has issued rules which may significantly increase the number of multipoint distribution service systems (i.e., the distribution of video services 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, 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.

## Entertainment

The Company's entertainment businesses compete with all forms of entertainment. The Company competes intensely with other major studios and independent film producers in the production and distribution of motion pictures and video cassettes. Similarly, as a producer and distributor of television programs, the Company competes with other studios and independent producers in the licensing of television programs to both networks and independent television stations. PARAMOUNT PICTURES' competitive position primarily depends on the quality of the product produced, public response and cost. The Company also competes to obtain creative talents and story properties which are essential to the success of all of the Company's entertainment businesses. UIP and UCI are the subject of various governmental inquiries by the EC and the Monopolies and Mergers Commission of the U.K. Such inquiries are not expected to have a material effect on the Company's businesses.

In addition to the competitive factors applicable to all areas of the entertainment industry, the marketplace for interactive entertainment is also characterized by the rapid evolution of distribution technologies.

## Video

The home video retail business is highly competitive. The Company believes that the principal competitive factors in the business are title selection, number of copies of titles available, the quality of customer service and, to a lesser extent, pricing. The Company believes that it has generally addressed the selection and service demands of consumers more adequately than most of its competitors.

The Company and its franchise owners compete with video retail stores, as well as supermarkets, drug stores, convenience stores, book stores, mass merchandisers and others. The Company believes that the success of its business depends in part on its large and attractive Company-owned and franchise-owned BLOCKBUSTER VIDEO stores offering a wider selection of titles and larger and more accessible inventory than its competitors, in addition to more convenient store locations, faster and more efficient computerized check-in/check-out procedures, extended operating hours, effective customer service and competitive pricing.

The Company's business is also dependent on the pricing of videocassettes by distributors since such pricing significantly influences whether a title is marketed by retailers primarily for rental or sale (or "sell-thru") to consumers. Since the Company has a larger share of the rental market than the sell-thru market and since its margins are generally higher for rental product than for sell-thru market, an increase in the number of sell-thru titles may have an adverse impact on the Company's business.

In addition to competing with other home video retailers, the Company and its franchise owners compete with all other forms of entertainment and recreational activities including, but not limited to, movie theaters, network television and other events, such as sporting events. The Company also competes with cable television, which includes pay-per-view television. Currently, pay-per-view television provides less viewing flexibility to the consumer than videocassettes, and the more popular movies are generally available on videocassette prior to appearing on pay-per-view television. However, technological advances could result in greater viewing flexibility for pay-per-view or in other methods of electronic delivery, and such developments could have an adverse impact on the Company and its franchise owners' businesses.

Several consumer product companies have recently announced plans to introduce a new product to exhibit prerecorded filmed entertainment products on television. The product, the digital video disc player, is to be based on digital technology and would permit a film that is recorded in digital format on a compact disc to be exhibited on a standard television set. This new technology is said to offer significant benefits to consumers by enabling distributors to produce a lower cost, higher quality product than videocassettes. The Company is unable to determine at this time whether and, if so, when, this new format will be introduced into the marketplace, whether it



will gain significant consumer acceptance generally or among the Company's customers. As a result, the Company is unable to determine the impact this new format will have on the Company's business.

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#### Music

The retail sale of prerecorded music and related products is highly competitive among numerous chain and department stores, discount stores, mail order clubs and specialty music stores. Some mail order clubs are affiliated with major manufacturers of prerecorded music and may have advantageous marketing arrangements with their affiliates. As music stores generally serve individual or local markets, competition is fragmented and varies substantially from one location or geographic area to another. The Company believes that its ability to compete successfully in the music retailing business depends on its ability to secure and maintain attractive and convenient locations, manage merchandise efficiently, offer broad merchandise selections at competitive prices and provide effective service to its customers.

The retailing of certain prerecorded music products has changed during the past year. A large number of mass merchandisers have begun to sell new releases at or, in certain cases, below cost in order to attract customers into their stores and generate sales of other products. In an attempt to remain competitive, the Company has reduced the price at which it sells these products, resulting in lower revenue. The Company believes that this practice may continue for a period of time as mass merchandisers continue to open stores and build their customer base.

#### Theme Parks

The Company's theme parks compete with other theme parks in their respective geographic regions as well as with other forms of leisure entertainment. The profitability of the leisure-time industry is influenced by various factors which are not directly controllable, such as economic conditions, amount of available leisure time, oil and transportation prices and weather patterns. The Company believes that its intellectual properties will enhance existing attractions and facilitate the development of new attractions to encourage visitors to PARAMOUNT PARKS.

#### Publishing

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 addition, the acquisition of publication rights to important book titles is highly competitive and the Company competes with numerous other book publishers. 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 with state funds 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.

#### Cable Television

The Company's cable systems operate pursuant to non-exclusive franchises granted by local governing authorities (either municipal or county) and compete for viewers with other distribution systems which deliver programming by microwave transmission (MDS or MMDS) and SMATV or directly to subscribers via either "TVRO" or DBS technology. The strength of competition depends upon the reliability, programming and pricing of such alternative

distribution systems. 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 Company views the future success of the cable business as being dependent on supplying additional programming and new services to its customers and increasing primary and premium subscriber penetrations.

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As 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 franchisor from granting exclusive franchises and from unreasonably refusing to award additional competitive franchises.

The entry of telcos into the cable television business may provide additional competition to the cable industry. Current prohibitions against telcos engaging in the cable television business within their local service areas have been held by some courts to be unconstitutional and, although these decisions are being appealed, the FCC, on March 17, 1995, issued a public notice announcing that it will no longer enforce its cross-ownership rules in the Fourth and Ninth Circuits. A significant number of the Company's cable franchise areas are in the Ninth Circuit. In addition, the FCC has adopted video dialtone ("VDT") regulations which allow delivery of video programming over telephone lines without the requirement to obtain a franchise and the FCC has proposed substantial revisions to such regulations (See "Business -- Regulation"). The Company 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. These interests will be sold if the proposed sale of the Company's cable systems is consummated.

#### REGULATION

The Company's networks, broadcasting, entertainment, video and music distribution, publishing, and cable television businesses are subject to regulation by federal, state and local governmental authorities, and its broadcast television, production and distribution operations 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.

#### Intellectual Property

The Company conducts many of its businesses through the control and exploitation of the numerous copyrights and trademarks underlying its products and licenses; therefore, domestic and international laws affecting intellectual property have significant importance to the Company. Congress is currently considering revisions to the Copyright Act of 1976 (the "Copyright Act"), including extension of the protection term by 20 years, and the creation of a performance right for digital performances of sound recordings. Congress may also consider legislation to update the Copyright Act to take into account new technological developments relating to the distribution of copyrighted materials.

**COMPULSORY COPYRIGHT.** Cable television systems are subject to the Copyright Act which provides a compulsory license for carriage of distant broadcast signals at prescribed rates (the proceeds are divided among the various copyright holders of the programs contained in such signals). No license fee is payable to any program copyright holder for retransmission of broadcast signals which are "local" to the communities served by the cable system (see "Regulation -- Cable Television").

The Copyright Act also provides a similar compulsory license for satellite services. Legislation adopted in the 104th Congress extended the satellite compulsory license for five years, raised the fees paid to carry broadcast signals, and, beginning in 1996, requires the fees to be set through negotiations and binding arbitration rather than by law, taking into account fair market value. The law also includes a provision eliminating the requirement that cable operators pay compulsory license fees for stations located more than 35 miles away but within the same "Area of Dominant Influence".

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

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## Networks and Broadcasting

### Networks

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 regional holding companies ("RHCs") were formed (including NYNEX) comprised of operating companies within their regions (Bell Operating Companies, or "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 the Company, the Company could arguably be considered an affiliate of an RHC for MFJ purposes. As a result, the Company transferred certain of its Networks and Broadcasting 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. Should the MFJ restrictions be modified or waived, the affiliate intends to retransfer such assets and operations to the Company. In March 1995, a U.S. District Court ruled that Bell Atlantic Corporation ("Bell Atlantic"), which is a BOC and therefore is subject to the MFJ, may deliver movies and television programming via satellite nationally, and cleared the way for Bell Atlantic to buy radio and television stations, as well as to own cable systems outside its service area.

1992 CABLE ACT. (See "Cable Television" below)

### 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. On March 23, 1995, the Senate Committee on Commerce, Science and Transportation approved legislation (the "Commerce Committee Bill") which, among other things, would lengthen television and radio station license terms to 10 years and relax ownership restrictions with respect to aliens to the extent U.S. ownership of broadcast stations is permitted in the alien's home country. It is impossible at this time to predict whether the Commerce Committee Bill will become law or what form it will take.

The licenses for the Company's television stations expire as follows: WDCA-TV on October 1, 1996; KSLA-TV on June 1, 1997; WKBD-TV on October 1, 1997; KMOV-TV on February 1, 1998; each of KRRT-TV, KTXA-TV and KTXH-TV on August 1, 1998; each of WVIT-TV and WSBK-TV on April 1, 1999; each of WNYT-TV and WHEC-TV on June 1, 1999; and WTXF-TV on August 1, 1999. The Company's licenses for its radio stations expire as follows: WMZQ- AM/FM, WCPT-AM and WJZW-FM on October 1, 1995; WLTI-FM on October 1, 1996; WLIT-FM on December 1, 1996; 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 will apply for renewal of and expects that the licenses which expire in 1995 will be renewed.

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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. The FCC is currently reviewing these regulations and legislation, such as the Commerce Committee Bill, has been introduced to relax the foreign ownership restrictions. The outcome of the FCC review and the legislative proposal is uncertain.

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. (See "Cable Television" below)

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.

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 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 1994, FCC regulations which permitted a single entity to have an "attributable" ownership or management interest in up to 18 AM and 18 FM stations nationwide were increased to 20 AM and 20 FM stations, 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. 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.

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The FCC's ownership limitations also prohibit a single entity from owning multiple "same service" (e.g., TV, AM or FM) stations licensed 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 the Company acquired majority ownership of Paramount Communications on March 11, 1994. Pursuant to the FCC's order consenting to the transfer of control of the broadcast licenses of Paramount Communications 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.

The FCC is currently reviewing the broadcast ownership regulations, and the Commerce Committee Bill proposes to increase the audience share ceiling from 25% to 35%. The extent to which these regulations will be repealed or modified is uncertain.

HDTV. In 1993, the FCC adopted a technological standard 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. The means by 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 from commencement of the transition period 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 commencement of the transition period. The cost of converting to HDTV will not have a material effect on the Company. Broadcasters have asked Congress and the FCC for permission to use broadcast stations' respective forthcoming HDTV spectrum assignments for some non-broadcasting purposes, such as advanced paging and data delivery. The Commerce Committee Bill includes some expanded spectrum use authority, provided that broadcasters compensate the FCC.

#### Entertainment

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

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.

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In 1993, the FCC modified 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 of the U.S. District Court for the Central District of California. 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 continuation have the burden of proving that the public interest requires their continued retention. The Company is unable to predict what action the FCC will take when it reviews the rule. Elimination of the rule may have an adverse affect on the Company's distribution and production of network prime time programming.

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.

In October 1994, the FCC began a review on whether PTAR should be

modified, repealed, or retained. Certain programmers have sought repeal while others are seeking modification to permit only the exhibition of off-network programming.

The Company strongly supports PTAR and has launched an aggressive campaign, along with other parties, to retain PTAR intact. The Company believes that PTAR will play an important role in helping emerging networks, including UPN, and enables independent producers and television stations to compete with the networks. Modification or elimination of PTAR could affect the Company's first-run and other distribution activities and hamper the development of UPN.

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

EUROPEAN UNION DIRECTIVE. In October 1989, the European Union ("EU", then the EC and sometimes referred to as the EC) directed each of the 12 European Community member countries to adopt broadcast quota regulations based on its guidelines by October 3, 1991. The EU is currently considering amendments to its Television Without Frontiers directive. In March 1995, the Executive Commission of the EU approved revisions to the directive, which will increase the discrimination against non-European programming; however, at this time, it is impossible to predict what changes will be adopted by the EU, or to predict their impact on the Company's theatrical distribution and television syndication businesses. Each of MTV EUROPE, NICKELODEON U.K. and VH-1 in the U.K are in compliance with the EU broadcast quotas and the Company does not believe that these businesses would be affected by the adoption of such proposals.

#### Video and Music Distribution

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

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#### Cable Television

##### 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 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. The following is a summary of certain significant issues:

Rate Regulation. Rate regulations adopted in April 1993 by the FCC (the "April 1993 Regulations") established a "benchmark" formula used to set a cable operator's "initial permitted rate" for regulated tiers of cable service. Cable systems whose rates exceeded the applicable benchmark were required to reduce their rates either to the benchmark or by 10% from those charged on September 30, 1992, whichever reduction was less. These regulations also established the prices that an operator may charge for subscriber equipment and installation services, based on the operator's actual cost plus an 11.25% return.

On February 22, 1994, the FCC adopted additional rules (the "February 1994 Regulations") that:

(1) replaced the April 1993 Regulations' 10% rollback provision with a 17% reduction of regulated tier rates; (2) adopted interim standards governing "cost-of service" proceedings pursuant to which a cable operator may attempt to prove that its costs of providing regulated service justify initial permitted rates that are higher than those produced under the benchmark approach; and (3) established a regulatory scheme to adjust initial permitted rates on a going-forward basis for certain "external" cost increases exceeding inflation, providing (among other things) a pass-through of and 7.5% mark-up for increases in an operator's programming expenses. The February 1994 Regulations also adopted an elaborate multi-factor test for determining whether collective offerings of "a la carte" channels (which channels may be sold individually on an unregulated basis) are to be treated as regulated tiers. The February 1994 Regulations govern rates in effect as of May 15, 1994, while the April 1993 Regulations remain applicable to rates that were in effect between September 1, 1993 and May 14, 1994.

On November 10, 1994, the FCC adopted new "going forward" rules ("November 1994 Regulations") that increased the mark-up for channels added to regulated tiers (other than the basic tier), established a more permissively regulated new product tier ("NPT"), and otherwise tightened FCC regulation of collective offerings of a la carte channels. These new rules allow operators to pass through to subscribers the costs, plus a 20-cent per channel mark-up, for channels newly added to regulated tiers (other than the basic tier). Through 1996, however, operators are subject to an aggregate cap of \$1.50 (no more than \$1.20 of which may be mark-up) on the amount that they may increase their retail rates for cable program service tier rates due to channel additions. In 1997, operators will be entitled to an additional 20-cent per channel mark-up and will no longer be subject to a license fee cap. The FCC also established NPTs to provide operators broad pricing and packaging flexibility so long as operators preserve the fundamental nature of their preexisting regulated tiers. At the same time, the FCC reversed its policy with respect to collective a la carte offerings (that do not qualify for unregulated NPT treatment) and generally held that such collective offerings would be treated as regulated tiers (other than NPTs). In addition, the FCC proposed to eliminate the current 7.5 % operator mark-up on increases in a program service's license fees. The Company, along with other cable industry interests, has opposed this proposal.

Several parties, including the Company and other cable industry interests, have continued to challenge other elements of the FCC's rate regulations. The Commerce Committee Bill would eliminate rate regulation of (i) all regulated tiers (other than the basic tier) except for those cable operators whose rates substantially exceed the national average, and (ii) all cable systems which are subject to telco video competition. The Company is unable to predict the timing or outcome of any such pending reconsideration petitions, judicial appeals or proposed legislation.

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The implementation of the April 1993 and February 1994 Regulations has had a negative effect on the Cable Television segment's revenues and earnings from operations. The reduction in revenues in 1994 was partially offset by customer growth and subsequent permitted rate increases. On a going forward basis, the November 1994 Regulations will mitigate a portion of the adverse impact of any reduction in revenues of the Cable Television segment, although the Company cannot predict the effect of these rules or any reconsideration proceedings regarding these rules on the license fees paid to, or the penetration of, program services such as those owned by the Company. For example, in those systems that have been rebuilt to expand channel capacity, one or two programming services added subsequent to the February 1994 Regulations have supported rate increases for the Satellite Value Package tier; in addition, Viacom Cable has launched five channel NPTs in various systems (see "Business -- Cable Television -- Cable Operations"). Further, Viacom Cable has made cost-of-service filings in two systems. While the Company cannot predict the outcome of these filings, it believes that both cost-of-service proceedings justify rates in excess of those calculated using the April 1993 Regulations and the February



Vertical Integration. Certain pricing and other restrictions are 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-- 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. Multichannel distributors may file a complaint with the FCC if they believe that a vertically integrated cable programmer has not complied with these regulations. To date, no complaints have been filed against 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 regarding channel occupancy limits are subject to pending petitions for reconsideration at the FCC.

Must Carry/Retransmission Consent. Commercial television stations which are "local" to communities served by a cable system can elect to require either Must Carry or 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. The Company 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. The Company 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 First Amendment attack. In June 1994, the U.S. Supreme Court held that the rules were content-neutral rather than unconstitutional, vacating the District Court's decision and remanding the case back to the District Court for determination of the impact of such rules on the broadcast and cable industries. The rules remain in effect pending the decision of the District Court on remand. (See "Broadcasting" above)

Buy Through to Premium Services. Pursuant to the 1992 Cable Act, a cable system may not require subscribers to purchase any tier of service other than the basic service tier in order to obtain other tiers of service or services offered by the cable operator on a per channel (e.g., premium services) or pay-per-view basis. A cable system 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.

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Lawsuits have been filed challenging 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. If enacted, the Commerce Committee Bill may affect the status of such lawsuits.

VIDEO DIALTONE REGULATIONS. A series of recent U.S. district court decisions in Alabama, the District of Columbia, Illinois, Washington and Virginia have declared unconstitutional and have enjoined the Communications Act's ban on the direct provision of video programming by a telco in its local service area. The U.S. Court of Appeals for the Fourth and Ninth Circuits have affirmed the district court rulings brought before them on appeal. Even prior to these court rulings, the FCC had reinterpreted this statutory ban in its 1992 "video dialtone" decision, authorizing a broadened role for telco participation in video distribution. The VDT 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 telco and exempts telcos from the Communications Act's franchising requirements so long as their facilities are capable of two-way video and are used for transmission of video programming on a common carrier basis, i.e., use of the facilities must be available to all programmers and program packagers on a non-discriminatory, first-come first-served basis. Telcos are also permitted to provide to facilities users additional "enhanced" services such as video gateways, video processing services, customer premises equipment and billing and collection. These can be provided on a non-common carrier basis. In January 1995, in response to the court rulings discussed above striking down the underlying statutory ban, the FCC issued a Notice of Proposed Rulemaking seeking to craft rules to govern telco provision of video programming directly to subscribers. The FCC's pending proceeding addresses the extent to which regulations applicable to common carriers and/or regulations applicable to cable operators should govern telcos that provide video programming directly to subscribers over their own VDT systems. The FCC has already approved several VDT construction applications for market trials and/or limited commercial deployment and has granted, in part, the first tariff filed to govern the rates and terms of a VDT offering. In response to the court rulings noted above, the FCC's more recent VDT authorizations have also allowed telcos to serve as program packagers on their VDT platforms. The Commerce Committee Bill also contemplates a relatively permissive framework for telco entry into cable. It is expected that bills will be formally introduced later this year. At present, state and/or local laws do not prohibit cable television companies from engaging in certain kinds of telephony business in many states. The Commerce Committee Bill proposes to 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 after the date of enactment of such legislation. The Company cannot predict the outcome or impact of these legislative and regulatory efforts although the Company anticipates that its program services could benefit from the increased distribution opportunities afforded by broadened telco entry into multichannel video distribution. If the pending legislation does not become law, and the various appellate courts uphold the unconstitutionality of the Communications Act's restrictions on telco video programming, the telcos have stated their intention to immediately enter the video programming business.

FCC MINORITY TAX CERTIFICATE On January 20, 1995, the Company agreed to sell its cable television systems to a partnership which is minority-owned.

Under the minority-ownership tax deferral rules adopted by the FCC in 1978, the Company is entitled to receive a tax certificate pursuant to which the Company would be able to defer capital gains tax on the gain from the sale, provided the Company reinvests the net proceeds of the sale in qualifying media properties within two years of closing or reduces its tax basis in existing assets. The U.S. House of Representatives and the U.S. Senate have each approved a similar version of legislation that would eliminate such tax consequences retroactive to January 17, 1995. The Company's current agreement to sell its cable systems is contingent upon receipt of the FCC tax certificate.

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#### 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 state and local franchising authorities, particularly in the areas of rate regulation and customer service standards. (See "Cable Television--Federal Regulation" above)

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, federal law (as implemented by FCC regulations) mandates the carriage of both commercial and non-commercial television broadcast stations "local" to the area in which a cable system is located. (see "Cable Television -- Must Carry/Retransmission Consent" above)

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 1995 through 1999, franchises having an aggregate of approximately 369,420 customers (at December 31, 1994) will expire unless renewed. The Company expects its franchises to be renewed.

#### Item 2. Properties

The Company maintains its world headquarters at 1515 Broadway, New York, New York, where it rents approximately one million square feet for executive offices and certain of its operating divisions. The lease runs to 2010, with four renewal options for five years each. The lease also grants the Company options for additional space and a right of first negotiation for other available space in the building. The Company also leases approximately 484,000 square feet of office space at 1633 Broadway, New York, New York, which lease runs to 2010, and approximately 237,000 square feet of office space at 1230 Avenue of the Americas, New York, New York, which lease runs to 2009, which leases contain options to renew, among other terms. The Company owns the PARAMOUNT PICTURES studio at 5555 Melrose Avenue, Los Angeles, California, which consists of approximately 63 acres containing sound stages, administrative, technical and dressing room structures, screening theatres, machinery and equipment facilities, plus a back lot and parking lot. PARAMOUNT PARKS' operations in the U.S. include approximately 1,640 acres owned and 295 acres leased and in Canada include approximately 200 acres owned and 97 acres leased. The Company owns the Blockbuster Entertainment Group headquarters at 200 South Andrews Avenue, Fort Lauderdale, Florida, which consists of approximately 148,000 square feet of office space and regional and district offices. The BLOCKBUSTER retail and distribution operations consist of approximately 55 owned properties, aggregating approximately 361,000 square feet, and approximately 2,833 leased locations, aggregating approximately 19.4 million square feet. Facilities within the Publishing segment (other than executive offices at 1230 Avenue of the Americas described above) include approximately 7,653,000 square feet of space, of which approximately 5,070,000 square feet are leased. The facilities are used for warehouse, distribution and administrative

functions. The Company's cable television systems include a combination of owned and leased premises in California, Ohio, Oregon, Tennessee and Washington (the location of Viacom Cable's franchises) and each system's electronic distribution equipment.

The Company also owns and leases office, studio and warehouse space in various cities in the U.S., Canada and several countries around the world for its businesses. The Company considers its properties adequate for its present needs. The Company also owns approximately 1,770 acres of undeveloped land in Southeast Florida.

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### Item 3. Legal Proceedings

On August 18, 1994, the District Court in and for Dallas County, Texas entered a judgment in favor of the plaintiffs in the action Howell v. Blockbuster Entertainment Corporation et al. (Cause No. 91-10193-M, now pending on appeal before the Dallas Court of Appeals as Cause No. 05-94-01823). The defendants include Blockbuster Entertainment Corporation ("BEC"), which has been merged into the Company, and Video Superstores Master Limited Partnership, a dissolved limited partnership that was indirectly controlled by BEC at the time of its dissolution. The judgment is based upon plaintiffs' claims of breach of fiduciary duty, fraud, conspiracy, breach of contract and tortious interference with contract and claims under Texas partnership law in connection with the defendants' treatment, and ultimate acquisition, of plaintiff's interest in a limited partnership which owned three Blockbuster stores. The court entered judgment against all defendants, jointly and severally in the amount of \$10,884,003 as compensatory damages, \$3,791,172 as pre-judgment interest and attorneys' fees in the amount of \$175,000. In addition, the Court entered judgment totaling \$108,840,030 for exemplary damages and ordered that the plaintiffs recover post-judgment interest at the rate of 10% per annum on all amounts awarded from the date of judgment until paid. The Company believes that substantial grounds exist for the vacation of the judgment or its substantial reduction and is vigorously prosecuting an appeal.

On September 27, 1994, an action captioned Murphy, et al. v. Blockbuster Entertainment Corporation, et al. (Cause No. 94-10051-M) was filed in the District Court in and for Dallas County, Texas by plaintiffs representing the two other limited partners of the plaintiff in the Howell litigation described above. Plaintiffs assert the same basic causes of action as in Howell and have claimed they are entitled to actual damages in excess of \$240 million and punitive damages in excess of \$1 billion. The Company believes that it has substantial defenses to these claims, including, among others, that the claims are barred by the statute of limitations and by releases entered into by the plaintiffs, and intends to vigorously defend the claims. Discovery in the Murphy action has been stayed pending the outcome of the appeal in the Howell action.

Stockholder Litigation. Four putative class actions were filed by alleged Spelling shareholders in November 1994. By Order dated February 15, 1995, the four actions were consolidated under the caption In re Spelling Shareholder Litigation, Master File 94-8764 (AH), Circuit Court, Palm Beach County, Florida. Defendants in all actions include Spelling, the Company and the members of the Board of Directors of Spelling. All complaints alleged that the Company intends to acquire the 23% shares of Spelling it does not currently hold for inadequate consideration and in breach of the defendants' fiduciary duties. Two of the actions also alleged that the acquisition of the Company's 77% interest in Spelling was done improperly so as to avoid payment of a control premium to the shareholders. Plaintiffs sought declaratory and injunctive relief preventing the alleged acquisition plan and damages. The Company believes that plaintiffs' allegations are speculative and without merit and intends to defend the claims vigorously. The plaintiffs have been directed to serve a single consolidated class action complaint to supersede all existing complaints and to move for class certification on or before May 18, 1995.

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. The complaint (as amended on November 9, 1993) 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 certain defendants, including Tele-Communications, Inc. ("TCI"). The claims for relief in the complaint are based in significant part 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 U.S. 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.

On January 20, 1995, the Company announced that it had provisionally agreed to settle this action, subject to certain conditions, including, among other things, the effectiveness of a new affiliation agreement covering TCI's long-term carriage of SHOWTIME and THE MOVIE CHANNEL and the consummation of the sale of the Company's cable television systems (See "Business -- Cable Television"). The action is currently suspended pending satisfaction of certain conditions which, if satisfied, would lead to settlement of the action.

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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 (See "Business -- Competition -- Networks"). In 1992, MTV EUROPE initiated a proceeding before the EC, 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. In 1994, the EC issued a Statement of Objections which stated that the collective licensing negotiations of VPL and IFPI, and their major record company members, constituted an unlawful restriction of trade under Article 85, and reserved its right to address abuse of monopoly power under Article 86. The VPL/IFPI and major labels were afforded an opportunity to respond at a hearing in June 1994, and it is anticipated that in 1995 the EC will issue a decision or take steps toward alternative resolution of these issues. 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 1995.

In December 1993, MTV EUROPE commenced a separate proceeding before the EC, challenging the operation of Viva, a German language music service owned by four of the five major record companies, as an 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 and/or damages on the grounds that these fees were unlawfully extracted by the record companies' cartel organizations.

Certain subsidiaries of the Company from time to time receive claims from federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup costs and related damages arising out of former operations. While the outcome of these claims cannot be predicted with certainty, on the basis of its experience and the information currently available to it, the Company does not believe that the claims it has received will have a material adverse effect on its financial condition or results of operations (See "Item 6. Selected Financial Data" and "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition.").

The Company 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 will have a material adverse effect on its financial condition or results of operations.

#### 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 to the Consolidated Financial Statements of 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 to the Consolidated Financial Statements of the Company included elsewhere herein.

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#### Executive Officers of the Company

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

Name ----	Age ---	Title -----
Sumner M. Redstone	71	Chairman of the Board of Directors
H. Wayne Huizenga	57	Vice Chairman of the Board of Directors; Chairman, Blockbuster Entertainment Group
Frank J. Biondi, Jr.	50	President, Chief Executive Officer and Director
Philippe P. Dauman	41	Executive Vice President, General Counsel, Chief Administrative Officer and Secretary and Director
Thomas E. Dooley	38	Executive Vice President -- Finance, Corporate Development and Communications
Vaughn A. Clarke	41	Senior Vice President, Treasurer
Carl D. Folta	37	Senior Vice President, Corporate Relations
Michael D. Fricklas	35	Senior Vice President, Deputy General Counsel
Susan Gordon*	41	Vice President, Controller and Chief Accounting Officer
Rudolph L. Hertlein	54	Senior Vice President
Edward D. Horowitz	47	Senior Vice President, Technology of the Company; Chairman, Chief Executive Officer of Viacom Interactive Media
Kevin C. Lavan**	42	Senior Vice President, Controller and Chief Accounting Officer
Henry J. Leingang	45	Senior Vice President, Chief Information Officer
William A. Roskin	52	Senior Vice President, Human Resources and Administration
George S. Smith, Jr.	46	Senior Vice President, Chief Financial Officer
Mark M. Weinstein	52	Senior Vice President, Government Affairs

\* effective April 1, 1995

\*\* through March 31, 1995

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

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Mr. Redstone has been a Director of the Company since 1986 and Chairman of the Board since 1987. 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 Spelling in 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, and in 1994, he accepted a proposal from Harvard Law School to lecture, as well as a Visiting Professorship from Brandeis University. 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. Huizenga has been Vice Chairman of the Board since September 1994 and a Director of the Company since October 1993. He served as Chairman of the Board and Chief Executive Officer of Blockbuster from April 1987 to September 1994, having been elected a director of Blockbuster in February 1987. Mr. Huizenga also served as President of Blockbuster from April 1987 to June 1988. He is Chairman of the Board of Spelling and a Director of Discovery Zone. From May 1984 to present, Mr. Huizenga has been an investor in other businesses and is the sole stockholder and Chairman of the Board of Huizenga Holdings, Inc., a holding and management company with various business interests. In connection with these business interests, Mr. Huizenga has been actively involved in strategic planning for and executive management of these businesses. He also has a majority ownership interest in Florida Marlins Baseball, Ltd., a Major League Baseball sports franchise, and owns the Florida Panthers Hockey Club, Ltd., a National Hockey League sports franchise, the Miami Dolphins, Ltd., a National Football League sports franchise, and Joe Robbie Stadium in South Florida.

Mr. Biondi has been President, Chief Executive Officer and a Director of the Company since July 1987. He became a Director of Spelling in 1994. From November 1986 to July 1987, Mr. Biondi was Chairman, Chief Executive Officer of Coca-Cola Television and, from 1985, Executive Vice President of the Entertainment Business Sector of The Coca-Cola Company. Mr. Biondi joined 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. Dauman has been a Director of the Company since 1987. In March 1994, he was elected Executive Vice President, General Counsel, Chief Administrative Officer and Secretary of the Company. From February 1993 to March 1994, he served as Senior Vice President, General Counsel and Secretary of the Company. Prior to that, Mr. Dauman was a partner in the law firm of Shearman & Sterling in New York, which he joined in 1978. Mr. Dauman became a Director of National Amusements, Inc. in 1992 and a Director of Spelling in 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 the Company. From July 1992 to March 1994, Mr. Dooley served as Senior Vice President, Corporate

Development of the Company. From August 1993 to March 1994, he also served as President, Interactive Television. Prior to that, he served as Vice President, Treasurer of the Company since 1987. In December 1990, he was named Vice President, Finance of the Company. Mr. Dooley joined Viacom International Inc. in 1980 in the corporate finance area and has held various positions in the corporate and divisional finance areas.

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

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

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

Ms. Gordon was elected Vice President, Controller and Chief Accounting Officer effective April 1, 1995. Prior to that, she served as Vice President, Internal Audit of the Company since October 1986. From June 1985 to October 1986, Ms. Gordon served as Controller of Viacom Broadcasting. She joined the Company in 1981 and held various positions in the corporate finance area.

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

Mr. Horowitz has been an executive officer of the Company since April 1989. In March 1994, he was elected Senior Vice President, Technology of the Company and Chairman, Chief Executive Officer of Viacom Interactive Media. Prior to that, he served as Senior Vice President of 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 July 1994, he was elected Senior Vice President, Controller and Chief Accounting Officer and will serve in such capacity until March 31, 1995. Prior to that he served as Vice President, Controller and Chief Accounting Officer since May 1989, having served as Controller, Chief Accounting Officer since December 1987. 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 the Company in 1984 as Assistant Controller of the Company. Mr. Lavan will become Chief Financial Officer of MTV Networks effective April 1, 1995.

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 the Company in 1990. Mr. Leingang was Vice President, Information Services of the Triang 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.

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

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

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

## PART II

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

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

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

	Viacom Class A Common Stock		Viacom Class B Common Stock	
	High	Low	High	Low
1994				
1st quarter	\$49 3/4	\$28 1/2	\$45	\$23 3/4
2nd quarter	34 1/4	24 1/2	32 1/2	21 3/4
3rd quarter	41 3/4	33 7/8	39 3/4	30 1/4
4th quarter	42 1/8	38	41	37 1/8
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

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

As of March 27, 1995 there were approximately 14,878 holders of Viacom Inc. Class A Common Stock, and 25,738 holders of Viacom Inc. Class B Common Stock.

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## Item 6. Selected Financial Data.

## VIACOM INC. AND SUBSIDIARIES

(Millions of dollars, except per share amounts)

	Year Ended December 31,				
	1994	1993	1992	1991	1990
Revenues	\$ 7,363.2	\$ 2,004.9	\$ 1,864.7	\$ 1,711.6	\$ 1,599.6
Earnings from continuing operations					
before depreciation and amortization	\$ 1,074.0	\$ 538.1	\$ 492.7	\$ 445.1	\$ 361.2
Depreciation and amortization	\$ 465.7	\$ 153.1	\$ 144.8	\$ 132.9	\$ 137.4
Earnings from continuing operations	\$ 608.3	\$ 385.0	\$ 347.9	\$ 312.2	\$ 223.8
Earnings (loss) before extraordinary losses					
and cumulative effect of change in					
accounting principle	\$ 110.0	\$ 169.5	\$ 66.1	\$ (46.6)	\$ (89.8)
Net earnings (loss)	\$ 89.6	\$ 171.0	\$ 49.0	\$ (49.7)	\$ (89.8)
Net earnings (loss) attributable					
to common stock	\$ 14.6	\$ 158.2	\$ 49.0	\$ (49.7)	\$ (89.8)
Primary and fully diluted net earnings					
(loss) per common share:					
Earnings (loss) from continuing					
operations before extraordinary					

losses and cumulative effect of change in accounting principle	\$ .25	\$ 1.30	\$ .55	\$ (.41)	\$ (.84)
Net earnings (loss)	\$ .07	\$ 1.31	\$ .41	\$ (.44)	\$ (.84)
At year end:					
Total assets	\$ 28,273.7	\$ 6,416.9	\$ 4,317.1	\$ 4,188.4	\$ 4,027.9
Long-term debt, net of current portion	\$ 10,402.4	\$ 2,440.0	\$ 2,397.0	\$ 2,320.9	\$ 2,537.3
Shareholders' equity	\$ 11,791.6	\$ 2,718.1	\$ 756.5	\$ 699.5	\$ 366.2

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 on its common equity for any of the periods presented above.

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### 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. (the "Company") should be read in conjunction with the Consolidated Financial Statements and related Notes. Descriptions of all documents incorporated by reference herein or included as exhibits hereto are qualified in their entirety by reference to the full text of such documents so incorporated or included.

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

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

Networks and Broadcasting - Basic Cable and Premium Television Networks, Television and Radio Stations.

Entertainment - Production and distribution of motion pictures and television programming as well as movie theater operations, and new media and interactive services.

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

Publishing - Educational; Consumer; Business, Training and Health Care; Reference; and International Groups.

Cable Television - Cable Television Systems. (See Note 3 of Notes to Consolidated Financial Statements.)

The following tables set forth revenues, earnings from continuing operations before depreciation and amortization ("EBITDA"), depreciation and amortization, earnings (loss) from continuing operations, equity in

pre-tax earnings (loss) of affiliated companies and earnings (loss) from continuing operations plus equity in pre-tax earnings (loss) by business segment for the periods indicated. Prior period presentations have been reclassified to conform to the current presentation.

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Business Segment Information

Year ended December 31, 1994 (b)	Revenues	EBITDA (a)	Depreciation and amortization	Earnings (loss) from continuing operations (as reported)	Equity in pre-tax earnings (loss) of affiliated companies	Earnings (loss) from continuing operations plus equity
(Millions of dollars)						
Networks and Broadcasting	\$ 1,855.1	\$ 453.3	\$ 96.2	\$ 357.1	\$ 18.2	\$ 375.3
Entertainment	2,285.2	6.0	94.4	(88.4)	9.5	(78.9)
Video and Music/ Theme Parks	1,070.4	289.9	90.4	199.5	.7	200.2
Publishing	1,786.4	296.9	103.0	193.9	--	193.9
Cable Television	406.2	155.2	76.4	78.8	--	78.8
Corporate	--	(127.3)	5.3	(132.6)	--	(132.6)
Intercompany	(40.1)	--	--	--	--	--
<b>Totals</b>	<b>\$ 7,363.2</b>	<b>\$1,074.0</b>	<b>\$ 465.7</b>	<b>\$608.3</b>	<b>\$ 28.4</b>	<b>\$ 636.7</b>
Year ended December 31, 1993						
Networks and Broadcasting	\$ 1,403.0	\$ 382.6	\$ 68.2	\$ 314.4	\$ (2.1)	\$ 312.3
Entertainment	209.1	42.0	9.5	32.5	(1.0)	31.5
Cable Television	416.0	181.7	71.5	110.2	--	110.2
Corporate	--	(68.2)	3.9	(72.1)	--	(72.1)
Intercompany	(23.2)	--	--	--	--	--
<b>Totals</b>	<b>\$ 2,004.9</b>	<b>\$ 538.1</b>	<b>\$ 153.1</b>	<b>\$ 385.0</b>	<b>\$ (3.1)</b>	<b>\$ 381.9</b>
Year ended December 31, 1992						
Networks and Broadcasting	\$ 1,227.7	\$ 303.8	\$ 66.3	\$ 237.5	\$ (6.9)	\$ 230.6
Entertainment	248.3	66.5	6.8	59.7	--	59.7
Cable Television	411.1	190.5	68.5	122.0	--	122.0
Corporate	--	(68.1)	3.2	(71.3)	--	(71.3)
Intercompany	(22.4)	--	--	--	--	--
<b>Totals</b>	<b>\$ 1,864.7</b>	<b>\$ 492.7</b>	<b>\$ 144.8</b>	<b>\$ 347.9</b>	<b>\$ (6.9)</b>	<b>\$ 341.0</b>

(a) Earnings from continuing operations before depreciation and amortization.

(b) Paramount Communications' and Blockbuster's results of operations are included as of March 1, 1994 and October 1, 1994, respectively.

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Results of Operations

1994 versus 1993

Revenues increased to \$7.36 billion for 1994 from \$2.0 billion for 1993 (or 267%). EBITDA increased to \$1.07 billion for 1994 from \$538.1 million for 1993 (or 100%). Earnings from continuing operations increased to \$608.3 million for 1994 from \$385.0 million for 1993 (or 58%). The foregoing increases in results of operations are principally attributable to the acquisitions of Paramount Communications and Blockbuster, partially offset by the merger-related charges described below.

EBITDA and earnings from continuing operations for 1994 include merger-related

charges, reflecting the integration of the Company's pre-merger businesses with similar Paramount units, and related management and strategic changes. Such amounts relate principally to adjustments of programming assets based upon new management strategies and additional programming sources resulting from the Paramount Merger and, with respect to Corporate, the combination of the employees of the Company and Paramount Communications.

	EBITDA	Merger-Related Charges	EBITDA prior to Merger-Related Charges
	-----	-----	-----
	(Millions of dollars)		
Networks and Broadcasting	\$ 453.3	\$ 90.7	\$ 544.0
Entertainment	6.0	224.0	230.0
Video and Music/Theme Parks	289.9	--	289.9
Publishing	296.9	--	296.9
Cable Television	155.2	--	155.2
Corporate	(127.3)	17.4	(109.9)
	-----	-----	-----
	\$1,074.0	\$332.1	\$1,406.1
	-----	-----	-----
	-----	-----	-----

While many in the financial community consider EBITDA to be an important measure of comparative operating performance, it should be considered in addition to, but not as a substitute for or superior to, earnings from operations, net income, cash flow and other measures of financial performance.

The comparability of results of operations for 1994 and 1993 has been affected by (i) the Paramount Merger, (ii) the Blockbuster Merger, and (iii) the merger-related charges all of which are non-recurring charges. The following discussion of results of operations is exclusive of merger-related charges and includes an analysis of changes in EBITDA, which does not reflect the effect of significant amounts of amortization of goodwill related to the Paramount Merger, the Blockbuster Merger and other business combinations accounted for by the purchase method of accounting.

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### Networks and Broadcasting

The constituents of Networks and Broadcasting are MTV Networks ("MTVN"), Showtime Networks Inc. ("SNI"), television stations and radio stations. Revenues increased to \$1.86 billion for 1994 from \$1.40 billion for 1993 (or 32%). EBITDA increased to \$544.0 million for 1994 from \$382.6 million for 1993 (or 42%). Earnings from operations increased to \$447.8 million for 1994 from \$314.4 million for 1993 (or 42%). The increase in revenues, EBITDA and earnings from operations resulted from increased advertising revenues of MTVN, modest increases in operating results of SNI and the Company's previously existing television and radio stations, and the acquisition of the Paramount television stations. MTVN revenues of \$852.2 million, EBITDA of \$326.8 million and earnings from operations of \$284.5 million increased 26%, 20% and 19%, respectively. The increase in MTVN's revenues was principally attributable to increased advertising revenues due to rate increases. The increase in MTVN's EBITDA was driven by increased advertising revenues partially offset by increased operating costs, as well as aggregate losses of \$15.0 million associated with the development of MTV Latino, Nickelodeon Magazine and VH-1 U.K. The Paramount television stations reported revenues of \$210.4 million, EBITDA of \$83.1 million and earnings from operations of \$65.8 million for the period subsequent to their acquisition.

### Entertainment

The primary constituents of Entertainment are Paramount Pictures, Spelling Entertainment Group ("Spelling"), which was acquired as part of the Blockbuster Merger, and the former Viacom Entertainment. Revenues increased to \$2.29 billion in 1994 from \$209.1 million in 1993. EBITDA increased to \$230.0 million

for 1994 from \$42.0 million for 1993. Earnings from operations increased to \$135.6 million in 1994 from \$32.5 million in 1993. The increase in revenues, EBITDA and earnings from operations resulted primarily from the acquisitions of Paramount Pictures and Spelling. Theatrical feature film and television programming results reflect revenues of \$1.9 billion, EBITDA of \$227.8 million and earnings from operations of \$157.7 million. The Entertainment segment's earnings from operations were partially offset by Viacom Interactive Media's loss from operations of \$28.6 million, including start-up costs associated with the development of new businesses. Results of operations primarily reflect theatrical feature film revenues, including the domestic and foreign box office success of FORREST GUMP and CLEAR AND PRESENT DANGER, as well as television programming revenues including network and syndication sales. Earnings from operations benefited from a lower cost base and efficiencies associated with the Paramount Merger.

#### Video and Music/Theme Parks

The constituents of Video and Music/Theme Parks are Blockbuster Video and Music, and Paramount Parks. Revenues, EBITDA and earnings from operations were \$1.07 billion, \$289.9 million and \$199.5 million, respectively. Video and Music revenues, EBITDA and earnings from operations were \$735.7 million, \$220.3 million and \$167.8 million, respectively, reflecting results of operations beginning October 1, 1994 and the continued expansion of video and music stores. Theme Parks revenues, EBITDA and earnings from operations were \$334.7 million, \$69.6 million and \$31.7 million, respectively, reflecting the full 1994 operating season (May through September) of the theme parks.

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#### Publishing

Publishing represents Simon & Schuster which includes imprints such as Simon & Schuster, Pocket Books, Prentice Hall and Macmillan Publishing USA. Publishing revenues, EBITDA and earnings from operations were \$1.79 billion, \$296.9 million and \$193.9 million, respectively, subsequent to its acquisition in March 1994. Results of operations reflect the Simon & Schuster's Higher Education, Consumer and International groups, and the U.S. publishing assets of Macmillan, Inc.

#### Cable Television

Cable Television revenues decreased to \$406.2 million for 1994 from \$416.0 million for 1993 (or 2%), primarily attributable to a decrease in primary revenues. EBITDA decreased to \$155.2 million for 1994 from \$181.7 million for 1993 (or 15%). Earnings from operations decreased to \$78.8 million for 1994 from \$110.2 million for 1993 (or 28%). The results reflect a 10% decrease in average rates for primary services, partially offset by a 3% increase in average primary customers. Total revenue per primary customer per month decreased 5% to \$30.30 for 1994 from \$32.03 for 1993. The revenue variances reflect the effect of the FCC rate regulations pursuant to the 1992 Cable Act governing rates in effect as of September 1, 1993 and as of May 15, 1994. The decrease in EBITDA and earnings from operations principally reflect the decreased revenues attributable to the above rate regulations and increased operating, general and administrative expenses.

As of December 31, 1994, Viacom Cable served approximately 1,139,000 primary customers subscribing to approximately 875,000 premium units, representing an increase of 4% and 22%, respectively, since December 31, 1993.

#### Corporate Expenses

Corporate expenses including depreciation increased 60% to \$115.2 million in 1994 from \$72.1 million in 1993 reflecting overall increased expenses attributable to the mergers.

#### Other Income and Expense Information

#### Interest Expense

Net interest expense of \$494.1 million for 1994 compared to \$145.0 million for 1993 reflects increased bank borrowing, the issuance of the 8% exchangeable subordinated debentures and debt acquired as part of the Mergers. The Company had approximately \$10.4 billion and \$2.5 billion principal amount of debt outstanding as of December 31, 1994 and December 31, 1993 at weighted average interest rates of 7.5% and 5.3%, respectively. (See Note 5 of Notes to Consolidated Financial Statements.)

#### Other Items, Net

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

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

#### Provision for Income Taxes

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

The annual effective tax rates of 74% for 1994 and 43% for 1993 were both adversely affected by amortization of acquisition costs which are not deductible for tax purposes. The 1993 effective tax rate was favorably affected as a result of reductions of certain prior year tax reserves of \$22.0 million. The reductions were based on management's view concerning the outcome of 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 an increase in earnings of \$10.4 million in 1993 as the cumulative effect of a change in accounting principle.

#### Equity in Earnings (Loss) of Affiliates

"Equity in earnings (loss) of affiliated companies, net of tax" was \$18.6 million for 1994 as compared to a loss of \$2.5 million for 1993, primarily reflecting the inclusion of the net earnings of affiliated companies that were acquired as part of the Mergers, improved operating results of Comedy Central, partially offset by the absence of Lifetime's earnings due to the sale of the Company's one-third partnership interest. (See Note 1 of Notes to Consolidated Financial Statements.)

#### Minority Interest

Minority interest primarily represents the minority ownership of Paramount Communications' outstanding common stock, for the period March through June 1994, and the 23% minority ownership of Spelling's common stock for fourth quarter 1994.

#### Discontinued Operations

Discontinued operations reflect the results of operations of Madison Square Garden Corporation ("MSG"), which was sold March 10, 1995. The Company acquired MSG during March 1994 as part of the Paramount Merger. (See Note 3 of Notes to Consolidated Financial Statements.)

#### Extraordinary Losses

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

On July 15, 1993, Viacom International redeemed all of the \$298 million

principal amount outstanding of the 11.80% Senior Subordinated Notes at a redemption price equal to 103.37% of the principal amount plus accrued interest to July 15, 1993. Viacom International recognized an after-tax extraordinary loss of \$8.9 million, net of a tax benefit of \$6.1 million. Viacom International borrowed the funds necessary for the redemption under bank credit agreements existing at the time.

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1993 versus 1992

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Revenues increased to \$2.0 billion in 1993 from \$1.9 billion in 1992 (or 8%). EBITDA increased to \$538.1 million for 1993 from \$492.7 million for 1992 (or 9%). Earnings from continuing operations increased to \$385.0 million in 1993 from \$347.9 million in 1992 (or 11%). Explanations of variances in revenues, EBITDA and earnings from continuing operations for each segment follow.

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

Networks and Broadcasting

Revenues increased to \$1.40 billion for 1993 from \$1.23 billion for 1992 (or 14%). EBITDA increased to \$382.6 million for 1993 from \$303.8 million for 1992 (or 26%). Earnings from operations increased to \$314.4 million from \$237.5 million (or 32%). The increase in revenues and earnings from operations resulted primarily from increased advertising sales of MTVN. MTVN revenues of \$677.9 million, EBITDA of \$272.7 million, and earnings from operations of \$239.7 million increased 27%, 33% and 39%, respectively. The increase in MTVN's advertising revenues was principally attributable to rate increases. The increase in MTVN's EBITDA reflects 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 increase in 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. Revenues of the television stations, radio stations and SNI each increased modestly. EBITDA and earnings from operations of the television stations and radio stations increased, and SNI's EBITDA and earnings from operations were constant.

Entertainment

Entertainment revenues decreased to \$209.1 million for 1993 from \$248.3 million for 1992 (or 16%). EBITDA decreased to \$42.0 million for 1993 from \$66.5 million for 1992 (or 37%). Earnings from operations decreased to \$32.5 million for 1993 from \$59.7 million for 1992 (or 46%). 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 market places reflect lower syndication revenues for The Cosby Show and softness in the syndication market place 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. Network license fees were lower because fewer shows were produced for network television; however, the decrease did not have a significant impact on Entertainment EBITDA. The EBITDA variance reflects the decreased revenues and \$6.1 million of start-up losses associated with Viacom New Media.



## Cable Television

Cable Television revenues increased to \$416.0 million in 1993 from \$411.1 million in 1992 (or 1%). EBITDA decreased to \$181.7 million for 1993 from \$190.5 million for 1992 (or 5%). Earnings from operations decreased to \$110.2 million in 1993 from \$122.0 million in 1992 (or 10%).

On a comparable basis with the 1992 results (excluding the Wisconsin cable system, which was sold effective January 1, 1993), Cable Television revenues increased to \$416.0 million in 1993 from \$393.6 million in 1992 (or 6%); EBITDA decreased to \$181.7 million in 1993 from \$182.5 million in 1992; and earnings from operations decreased to \$110.2 million for 1993 from \$117.6 million for 1992 (or 6%). The results reflect a 4% increase in average rates for primary services and a 2% increase in average primary customers. Total revenue per primary customer per month increased 3% to \$32.03 in 1993 from \$31.04 in 1992. The decrease in EBITDA reflects increased operating expenses (which included non-recurring costs associated with the implementation of FCC rate regulations) partially offset by increased revenues.

As of December 31, 1993, the Company operated systems serving approximately 1,094,000 primary customers subscribing to approximately 718,000 premium units. Excluding the Wisconsin cable system customers in 1992, primary customers and premium units increased 2% and decreased 5%, respectively, since December 31, 1992. Including the Wisconsin cable system customers in 1993, primary customers and premium units decreased 2% and 9%, respectively, since December 31, 1992.

## Corporate Expenses

Corporate expenses increased to \$72.1 million in 1993 from \$71.3 million in 1992 (or 1%), 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, the Company 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.

## Other Income and Expense Information

### Interest Expense, Net

Net interest expense decreased to \$145.0 million in 1993 from \$194.1 million in 1992 (or 25%), reflecting improvements made to the capital structure (as described below) and reduced interest rates, including rates associated with the credit agreement. The Company had approximately \$2.5 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 ("11.80% 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 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 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.

#### Other Items, Net

The settlement of the Time Warner antitrust lawsuit resulted in various business arrangements, which have a positive effect on the Company 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; representing payments received in the third quarter of 1992 relating to certain aspects of the settlement of the 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 the Company 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.

#### Income Taxes

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

The annual effective tax rates of 43% for 1993 and 54.5% for 1992 were adversely affected by amortization of acquisition costs which are not deductible for tax purposes. The 1993 and 1992 effective tax rates were favorably affected as a result of reductions of certain prior year tax reserves of \$22.0 million and \$20.0 million, respectively. The reductions were based on management's view concerning the outcome of several tax issues based upon the progress of federal, state and local audits.

#### Equity in Earnings (Loss) of Affiliates

"Equity in earnings (loss) of affiliated companies, net of tax" decreased 46% to \$2.5 million in 1993 from \$4.7 million in 1992, primarily reflecting improved operating results at Lifetime and Comedy Central, partially offset by net losses on equity investments made in 1993.

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#### Extraordinary Losses

On June 18, 1992, the Company redeemed all of the \$356.5 million principal amount outstanding of the 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% Reset Notes at a redemption price equal to 101% of the principal amount plus accrued interest to the redemption date. The Company recognized an extraordinary loss of \$17.1 million, net of a tax benefit of \$11.3 million. The Company borrowed the funds necessary for each of these redemptions under its bank credit facilities existing in the respective periods.

#### Acquisitions

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

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

#### Liquidity and Capital Resources

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

The Company's scheduled maturities of long-term debt, through December 31, 1999 assuming full utilization of the credit agreements (after giving effect to the reduction in commitments resulting from the sale of MSG), are \$1.9 billion (1996), \$163 million (1997), \$1.0 billion (1998) and \$1.5 billion (1999). (See Note 5 of Notes to Consolidated Financial Statements.) The Company's Preferred Stock dividend requirement is \$60 million per year.

The Company's joint ventures are expected to require estimated net cash contributions of approximately \$20 million to \$40 million in 1995. Planned capital expenditures, including information systems costs, are approximately \$600 million to \$700 million in 1995. Capital expenditures are primarily related to capital additions for new and existing video and music stores and theme parks, and additional construction and equipment upgrades for the Company's existing cable franchises.

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The Company was in compliance with all debt covenants and had satisfied all financial ratios and tests as of December 31, 1994 under its Credit Agreement and the Company expects to remain in compliance and satisfy all such financial ratios and tests during 1995.

Debt as a percentage of total capitalization of the Company was 47% at December 31, 1994 and 48% at December 31, 1993.

See Note 2 of Notes to Consolidated Financial Statements for a description of the Company's commitments related to the contingent value rights and variable common rights. See Note 10 of Notes to Consolidated Financial Statements for a description of the Company's future minimum lease commitments.

The commitments of the Company for program license fees, which are not reflected in the balance sheet as of December 31, 1994 and are estimated to aggregate approximately \$2.0 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 over several years, as part of normal programming expenditures of SNI. These commitments are contingent upon delivery of motion pictures which are not yet available for premium television exhibition and, in many cases, have not yet been produced.

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

Certain subsidiaries and affiliates of the Company from time to time receive claims from Federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup

costs and related damages, principally relating to discontinued operations conducted by its former mining and manufacturing businesses (acquired as part of the mergers). The Company has recorded a liability at approximately the midpoint of its estimated range of environmental exposure. Such liability was not reduced by potential insurance recoveries and reflects management's estimate of cost sharing at multiparty sites. The estimated range of the potential liability was calculated based upon currently available facts, existing technology and presently enacted laws and regulations. On the basis of its experience and the information currently available to it, the Company believes that the claims it has received will not have a material adverse effect on its results of operations or financial position.

Net cash flow from operating activities increased 130% to \$339.2 million in 1994 from \$147.6 million for 1993 principally due to the inclusion of Paramount Communications' and Blockbuster's results of operations since the effective time of the respective mergers and increased earnings from operations of Viacom's pre-merger businesses, prior to merger-related charges. Net cash expenditures from investing activities of \$6.3 billion for 1994, principally reflect the acquisition of the majority of the shares of Paramount Communications and capital expenditures, partially offset by proceeds from the sale of the Company's one-third partnership in Lifetime. Net cash expenditures from investing activities of \$128.4 million for 1993 principally reflect capital expenditures, acquisitions, an additional investment in StarSight Telecast, Inc. 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. Financing activities reflect borrowings and repayment of debt under the credit agreements during each period presented; the issuance of Viacom Class B Common Stock to Blockbuster during 1994 and the redemption of the 11.80% Notes and the issuance of the Preferred Stock during 1993.

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Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of  
Viacom Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Viacom Inc. and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of Viacom 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.

PRICE WATERHOUSE LLP

1177 Avenue of the Americas  
New York, New York 10036  
February 10, 1995

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The Audit Committee of the Board of Directors, which is comprised solely of directors who are not employees of the Company, meets periodically with the independent accountants, with our internal auditors, as well as with management, to review accounting, auditing, internal accounting controls and financial reporting matters. The Audit Committee is also responsible for recommending to the Board of Directors the independent accounting firm to be retained for the coming year, subject to 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.  
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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  
Senior Vice President,  
Controller and Chief  
Accounting Officer

(In millions, except per share amounts)

	Year Ended December 31,		
	1994	1993	1992
Revenues	\$ 7,363.2	\$ 2,004.9	\$ 1,864.7
Expenses:			
Operating	4,401.0	877.6	854.0
Selling, general and administrative	1,888.2	589.2	518.0
Depreciation and amortization	465.7	153.1	144.8
Total expenses	6,754.9	1,619.9	1,516.8
Earnings from continuing operations	608.3	385.0	347.9
Other income (expense):			
Interest expense, net	(494.1)	(145.0)	(194.1)
Other items, net (See Note 14)	262.5	61.8	1.8
Earnings from continuing operations before income taxes	376.7	301.8	155.6
Provision for income taxes	279.7	129.8	84.8
Equity in earnings (loss) of affiliated companies, net of tax	18.6	(2.5)	(4.7)
Minority interest	14.9	--	--
Net earnings from continuing operations	130.5	169.5	66.1
Loss from discontinued operations, net of tax (See Note 3)	(20.5)	--	--
Earnings before extraordinary losses and cumulative effect of change in accounting principle	110.0	169.5	66.1
Extraordinary losses, net of tax (See Note 5)	(20.4)	(8.9)	(17.1)
Cumulative effect of change in accounting principle	--	10.4	--
Net earnings	89.6	171.0	49.0
Cumulative convertible preferred stock dividend requirement	75.0	12.8	--
Net earnings attributable to common stock	\$ 14.6	\$ 158.2	\$ 49.0
Primary and fully diluted net earnings per common share:			
Net earnings from continuing operations	\$ .25	\$ 1.30	\$ .55
Loss from discontinued operations, net of tax	(.09)	--	--
Extraordinary losses, net of tax	(.09)	(.07)	(.14)
Cumulative effect of change in accounting principle	--	.08	--
Net earnings	\$ .07	\$ 1.31	\$ .41
Weighted average number of common shares and common share equivalents:			
Primary	220.0	120.6	120.2
Fully diluted	220.4	120.6	120.2

See notes to consolidated financial statements.

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

	December 31,	
	1994	1993
Assets		
Current Assets:		
Cash and cash equivalents	\$ 597.7	\$1,882.4
Receivables, less allowances of \$75.8 and \$33.9	1,638.8	351.8
Inventory (See Note 4)	830.9	--
Theatrical and television inventory (See Note 4)	986.9	356.5
Other current assets	503.5	95.7
Net assets of discontinued operations (See Note 3)	697.4	--
Total current assets	5,255.2	2,686.4
Property and Equipment:		
Land	470.3	16.5
Buildings	798.8	41.6
Cable television systems	465.4	414.9
Equipment and other	1,365.1	428.4
Total property and equipment	3,099.6	901.4

Less accumulated depreciation . . . . .	516.5	347.2
	-----	-----
Net property and equipment . . . . .	2,583.1	554.2
	-----	-----
Inventory (See Note 4) . . . . .	1,944.5	789.5
Intangibles, at amortized cost . . . . .	16,111.7	2,180.6
Other assets . . . . .	2,379.2	206.2
	-----	-----
	\$28,273.7	\$6,416.9
	-----	-----

See notes to consolidated financial statements.

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VIACOM INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

	December 31,	
	1994	1993
	-----	-----
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable . . . . .	\$ 770.9	\$ 96.6
Accrued interest . . . . .	234.9	20.7
Accrued compensation . . . . .	340.6	52.5
Deferred income, current . . . . .	250.9	50.9
Merger consideration payable . . . . .	261.7	--
Other accrued expenses . . . . .	1,436.8	200.4
Participants' share, residuals and royalties payable . . . . .	630.0	139.1
Program rights, current . . . . .	184.4	198.0
Current portion of long-term debt . . . . .	21.0	58.5
	-----	-----
Total current liabilities . . . . .	4,131.2	816.7
	-----	-----
Long-term debt (See Note 5) . . . . .	10,402.4	2,440.0
Other liabilities . . . . .	1,948.5	442.1
Commitments and contingencies (See Note 10)		
Shareholders' Equity:		
Preferred Stock, par value \$.01 per share; 200.0 shares authorized; 24.0 (1994) and 48.0 (1993) shares issued and outstanding . . . . .	1,200.0	1,800.0
Class A Common Stock, par value \$.01 per share; 200.0 shares authorized; 74.6 (1994) and 53.4 (1993) shares issued and outstanding . . . . .	0.7	0.5
Class B Common Stock, par value \$.01 per share; 1,000.0 shares authorized; 284.1 (1994) and 67.3 (1993) shares issued and outstanding . . . . .	2.8	0.7
Additional paid-in capital . . . . .	10,579.5	920.9
Retained earnings (accumulated deficit) . . . . .	10.6	(4.0)
Cumulative translation adjustments . . . . .	(2.0)	--
	-----	-----
Total shareholders' equity . . . . .	11,791.6	2,718.1
	-----	-----
	\$28,273.7	\$6,416.9
	=====	=====

See notes to consolidated financial statements.

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VIACOM INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 31,		
	1994	1993	1992
	-----	-----	-----

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<b>Operating Activities:</b>			
Net earnings	\$89.6	\$171.0	49.0
Adjustments to reconcile net earnings to net cash flow from operating activities:			
Merger -related charges (See Note 2)	332.1	--	--
Depreciation and amortization	465.7	153.1	144.8
Reserve for litigation (See Note 14)	--	--	33.0
Gain on sale of Lifetime, net of tax (See Note 14)	(164.4)	--	--
Gain on the sale of cable system, net of tax (See Note 14)	--	(45.9)	--
Extraordinary losses, net of tax. (See Note 5)	20.4	8.9	17.1
Increase (decrease) in accounts payable and accrued expenses	164.7	(17.2)	53.4
Increase in receivables	(152.6)	(31.9)	(49.8)
Increase in inventory and related liabilities, net	(557.0)	(137.5)	(138.6)
Increase in income taxes payable and deferred income taxes, net	28.8	82.9	22.5
Increase (decrease) in deferred income	9.8	(9.0)	22.9
Increase in prepublication costs, net	(47.0)	--	--
Decrease in prepaid expenses	110.1	--	--
Payment of LTIP liability	--	(3.6)	(68.6)
Other, net	39.0	(23.2)	16.3
	-----	-----	-----
Net cash flow from operating activities	339.2	147.6	102.0
	-----	-----	-----
<b>Investing activities:</b>			
Capital expenditures	(364.9)	(135.0)	(110.2)
Investments in and advances to affiliated companies	(51.3)	(21.6)	(23.7)
Distribution from affiliated companies	37.7	13.4	9.4
Proceeds from dispositions	317.6	144.7	20.0
Acquisitions, net of cash acquired	(6,254.6)	(82.2)	--
Proceeds from sale of short-term investments	156.2	--	--
Payments for purchase of short-term investments	(102.2)	--	--
Deposits on transponders	(1.1)	(49.9)	(9.7)
Other, net	(36.1)	2.2	(2.6)
	-----	-----	-----
Net cash flow from investing activities	(6,298.7)	(128.4)	(116.8)
	-----	-----	-----
<b>Financing activities:</b>			
Short-term borrowings from banks under credit facilities, net	3,560.0	334.3	--
Borrowings from banks under credit facilities	--	--	8,344.0
Repayments to banks under credit facilities	(13.9)	--	(7,968.5)
Proceeds from the issuance of notes	--	--	250.0
Redemption of notes and debentures	--	(298.0)	(549.5)
Proceeds from the issuance of Class B Common Stock	1,250.0	--	--
Payment of Preferred Stock dividends	(72.7)	--	--
Proceeds from the issuance of Preferred Stock	--	1,800.0	--
Payment of deferred financing costs	(87.1)	(18.1)	(22.7)
Other, net	38.5	(3.4)	(18.8)
	-----	-----	-----
Net cash flow from financing activities	4,674.8	1,814.8	34.5
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(1,284.7)	1,834.0	19.7
Cash and cash equivalents at beginning of year	1,882.4	48.4	28.7
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 597.7	\$1,882.4	\$ 48.4
	=====	=====	=====

See notes to consolidated financial statements.

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

	Year ended December 31,					
	1994		1993		1992	
	Shares	Amounts	Shares	Amounts	Shares	Amounts
<b>Preferred Stock</b>						
Balance, beginning of year	48.0	\$ 1,800.0	--	\$ --	--	\$ --
Issuance of Series A and Series B Preferred Stock	--	--	48.0	1,800.0	--	--
Cancellation of Series A Preferred	(24.0)	(600.0)	--	--	--	--
Balance, end of year	24.0	\$ 1,200.0	48.0	\$ 1,800.0	--	\$ --
<b>Class A Common Stock</b>						
Balance, beginning of year	53.4	\$ .5	53.4	\$ .5	53.4	\$ .5
Exercise of stock options	.2	--	--	--	--	--
Blockbuster Merger Consideration	21.0	.2	--	--	--	--
Balance, end of year	74.6	\$ .7	53.4	\$ .5	53.4	\$ .5
<b>Class B Common Stock</b>						
Balance, beginning of year	67.3	\$ .7	67.1	\$ .7	66.9	\$ .7
Exercise of stock options	1.2	--	.2	--	.2	--
Paramount Merger Consideration	56.7	.5	--	--	--	--



Blockbuster Merger Consideration .....	158.9	1.6	--	--	--	--
Issuance of Class B Common Stock .....	22.7	.2	--	--	--	--
Cancellation of Class B Common Stock...	(22.7)	(.2)	--	--	--	--
Balance, end of year .....	284.1	\$ 2.8	67.3	\$ .7	67.1	\$ .7
-----						
Additional Paid-In Capital						
-----						
Balance, beginning of year .....		\$ 920.9		\$ 917.5		\$ 909.4
Exercise of stock options, net of tax benefit .....		65.8		3.4		1.2
Paramount Merger Consideration .....		2,190.9		--		--
Blockbuster Merger Consideration .....		7,412.1		--		--
Issuance of Class B Common Stock .....		1,250.0		--		6.9
Cancellation of Class B Common Stock ..		(1,250.0)		--		--
Expenses associated with stock issuances .....		(10.2)		--		--
Balance, end of year .....		\$10,579.5		\$ 920.9		\$ 917.5
-----						
Retained Earnings (Accumulated Deficit)						
-----						
Balance, beginning of year .....		\$ (4.0)		\$ (162.2)		\$ (211.2)
Net earnings .....		89.6		171.0		49.0
Preferred stock dividend requirements ..		(75.0)		(12.8)		--
Balance, end of year .....		\$ 10.6		\$ (4.0)		\$ (162.2)
-----						
Cumulative Translation Adjustments						
-----						
Balance, beginning of year .....		--		--		--
Translation adjustments .....		\$ (2.0)		\$ --		\$ --
Balance, end of year .....		\$ (2.0)		\$ --		\$ --
-----						
Total Shareholders' Equity .....		\$11,791.6		\$ 2,718.1		\$ 756.5
-----						

See notes to consolidated financial statements.

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VIACOM INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation - The Company is a diversified entertainment and publishing company with operations in five segments: (i) Networks and Broadcasting, (ii) Entertainment, (iii) Video and Music/Theme Parks, (iv) Publishing and (v) Cable Television. Paramount Communications Inc. ("Paramount Communications") and Blockbuster Entertainment Corporation ("Blockbuster") results of operations are included in the Company's consolidated results of operations effective March 1, 1994 and October 1, 1994, respectively. (See Note 2).

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

Inventories - Publishing related inventories are generally determined using the lower of cost (first-in, first-out method) or net realizable value. Prerecorded music and videocassette inventories costs are determined using the moving weighted average method, the use of which approximates the first-in, first-out basis. Videocassette rental inventory is recorded at cost and amortized over

its estimated economic life with no provision for salvage value. Videocassettes which are considered base stock are amortized over 36 months on a straight-line basis. Videocassettes which are considered new release feature films are frequently ordered in large quantities to satisfy initial demand ("hits"). For each store, the fifth and any succeeding copies of hit titles purchased are amortized over six months on a straight-line basis.

Theatrical and Television Inventories - Inventories related to theatrical and television product (which include direct production costs, production overhead, capitalized interest, acquisition costs, prints and certain exploitation costs) are stated at the lower of amortized cost or net realizable value. Inventories, residuals and participations are amortized on an individual product basis based on 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

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

current assets to the extent such costs are expected to be recovered through their respective primary markets. Other costs related to film production are classified as noncurrent. A portion of the cost to acquire Paramount Communications and Blockbuster was allocated to theatrical and television inventories based upon estimated revenues from certain films less related costs of distribution and a reasonable profit allowance for the selling effort. The cost allocated to films is being amortized over their estimated economic lives not to exceed 20 years.

The Company estimates that approximately 66% of unamortized film costs (including amounts allocated under purchase accounting) at December 31, 1994 will be amortized within the next three years.

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

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed principally by the straight-line method over estimated useful lives ranging from 3 to 40 years. Depreciation expense, including capitalized lease amortization, was \$215.9 million (1994), \$92.8 million (1993) and \$81.5 million (1992).

Intangible Assets - Intangible assets, which primarily consist of the cost of acquired businesses in excess of the market value of tangible assets and liabilities acquired, are generally amortized by the straight-line method over estimated useful lives of up to 40 years. The Company evaluates the amortization period of intangibles on an ongoing basis in light of changes in any business conditions, events or circumstances that may indicate the potential impairment of intangible assets. Accumulated amortization of intangible assets at December 31 was \$663.2 million (1994) and \$412.5 million (1993).

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

Theatrical and Television Revenues - Feature motion pictures are produced or acquired for distribution, normally, for exhibition in U.S. and foreign theaters followed by videocassettes and discs, pay-per-view, premium subscription television, network television, basic cable television and syndicated television exploitation. On average, the length of the initial revenue cycle for feature films approximates four to seven years. Theatrical revenues from domestic and foreign markets are recognized as films are exhibited; revenues from the sale of videocassettes are recognized upon delivery of the merchandise; and revenues from all television sources are recognized upon availability of the film for telecast.

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

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.

Interest - Costs associated with the refinancing or issuance of debt, as well as with debt discount, are expensed as interest over the term of the related debt. The Company enters into interest rate exchange agreements; the amount to be paid or received under such agreements is accrued as interest rates change and is recognized over the life of the agreements as an adjustment to interest expense. Amounts paid for purchased interest rate cap agreements are amortized into interest over the term of the agreement (See Note 6).

Equity In Earnings (Loss) of Affiliated Companies - Equity in earnings (loss) of affiliated companies in the Consolidated Statement of Operations is primarily comprised of the Company's interest in Lifetime (33% owned), Comedy Central (50% owned), Nickelodeon (UK) (50% owned) and All News Channel (50% owned), as well as, in 1994, investments that were acquired as part of the Mergers (as defined in Note 2). Such investments were USA Networks (50% owned), Cinamerica (50% owned), United Cinemas International Multiplex B.V. (49% owned), Cinema International Corporation N.V. (49% owned) and Discovery Zone (50% owned). The Company's interest in Lifetime was sold in 1994 (See Note 14).

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

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

Provision for Doubtful Accounts - The provision for doubtful accounts charged to expense was \$61.6 million (1994), \$16.7 million (1993) and \$9.4 million (1992).

Net Earnings per Common Share - Primary net earnings per common share is calculated based on the weighted average number of common shares outstanding during each period and for 1994, the effects of common shares potentially issuable in connection with the contingent value rights ("CVRs"), variable common rights ("VCRs"), stock options and warrants. For 1993 and 1992, the effect of contingently issuable common shares from stock options was

immaterial and, therefore, the effect is not reflected in primary net earnings per common share for those periods. For 1994 and 1993, the effect of the assumed conversion of Preferred Stock is antidilutive and, therefore, not reflected in fully diluted net earnings per common share.

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

2) PARAMOUNT MERGER, BLOCKBUSTER MERGER AND  
RELATED TRANSACTIONS

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

Each CVR represents 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 Merger (the "Maturity Date"), provided, however, that the Company 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"). The Company, 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 the Company, 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 prior to the respective maturity dates.

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

The VCRs represent the right to receive a fraction of a share of Viacom Class B Common Stock, with the exact fraction dependent on the market price of Viacom Class B Common Stock during the year following the effective time of the Blockbuster Merger. The VCRs mature on the first anniversary date of the Blockbuster Merger. Based upon the market price of Viacom Class B Common Stock, following the Blockbuster Merger the maximum fraction of a share issuable pursuant to the VCRs was reduced from 0.13829 of a share of Viacom Class B Common Stock to 0.05929 of a share of Viacom Class B Common Stock, or a maximum issuable potential of approximately 16.7 million shares of Viacom Class B Common Stock.

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

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

The unaudited condensed pro forma results of operations data presented below assumes that the Mergers and related transactions, the sale of the one-third partnership interest in Lifetime and the sale of MSG (as defined in Note 3) occurred at the beginning of each period presented. The unaudited condensed pro forma results of operations data was prepared based upon the historical consolidated results of operations of the Company for the years ended December 31, 1994 and 1993, Paramount for the two months ended February 28, 1994 and year ended December 31, 1993, and Blockbuster for the nine months ended September 30, 1994 and year ended December 31, 1993, adjusted to exclude the non-recurring merger-related charges of \$332.1 million (as described below). Financial information for Paramount Communications and Blockbuster subsequent to the date of acquisition is included in the Company's historical information. Intangible assets are amortized principally over 40 years on a straight-line basis. The following unaudited pro forma information is not necessarily indicative of the combined results of operations of the Company, Paramount Communications and Blockbuster that would have occurred if the completion of the transactions had occurred on the dates previously indicated nor are they necessarily indicative of future operating results of the combined company.

	Year ended December 31,	
	1994	1993
	----	----
	(Millions of dollars, except per share amounts)	
Revenues	\$10,121.6	\$ 9,235.5
Earnings from continuing operations	1,040.0	758.7
Net earnings from continuing operations before extraordinary loss, cumulative effect of a change in accounting principle and preferred stock dividends	111.6	10.9
Net earnings (loss) attributable to common stock before extraordinary loss and cumulative effect of a change in accounting principle	51.6	(49.1)
Earnings (loss) per common share before extraordinary loss and cumulative effect of change in accounting principle	.13	(.14)

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

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

During each of the three years presented, the Company has 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.

3) SUBSEQUENT EVENTS

On January 20, 1995, the Company agreed to sell its cable television systems to a partnership of which Mitgo Corp., a company wholly owned by Frank Washington, is a general partner, for approximately \$2.3 billion, subject to certain conditions, including, receipt of a tax certificate from the Federal Communications Commission and the availability of certain federal tax consequences of the sale advantageous to the Company. The U. S. House of Representatives and U. S. Senate have each approved a similar version of legislation that would eliminate such tax consequences. The House of Representatives has also approved a compromise version of the bill, which is awaiting Senate approval. The Company has announced that it will not proceed with the agreed transaction in the event that such tax consequences are unavailable. The Company has also announced that it is considering other options with respect to the disposition of its cable systems and that it intends to proceed with such disposition. Until a formal plan for the disposition is established, operating results for Cable Television will be included in earnings from continuing operations.

During March 1995, the Company sold Madison Square Garden Corporation (which includes the Madison Square Garden Arena, The Paramount theater, the New York Knickerbockers, the New York Rangers and the Madison Square Garden Network, collectively "MSG") to a joint venture of ITT Corporation and Cablevision Systems Corporation for closing proceeds of \$1.009 billion, representing the sale price of approximately \$1.075 billion, less approximately \$66 million in working capital adjustments. The sale of MSG resulted in no after-tax book gain. Proceeds from the sale were used to pay down notes payable to banks. The Company acquired MSG as part of the Paramount Merger.

MSG has been accounted for as a discontinued operation and, accordingly, its operating results and net assets have been separately disclosed in the Consolidated Financial Statements.

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

Summarized results of operations for the year ended December 31, 1994 and financial position data as of December 31, 1994 for MSG are as follows (millions of dollars).

Results of operations:	
Revenues	\$273.4
Loss from operations before income tax benefit	\$(25.4)
Income tax benefit	\$ 4.9
Net loss	\$(20.5)
Financial position:	
Current assets	\$107.8
Net property, plant and equipment	312.9
Other assets	409.4
Total liabilities	(132.7)
	-----
Net assets of discontinued operations	\$697.4
	=====

4) INVENTORIES

Inventories consist of the following:

	December 31,	
	----- 1994 -----	1993 -----
	(Millions of dollars)	
Prerecorded music and video cassettes	\$ 509.2	\$ --
Videocassette rental inventory	297.6	--

Publishing:		
Finished goods	218.9	--
Work in process	35.8	--
Materials and supplies	27.1	--
Other	73.8	.5
	-----	-----
	1,162.4	.5
Less current portion	830.9	--
	-----	-----
	\$ 331.5	\$ .5
	=====	=====
Theatrical and television inventory:		
Theatrical and television productions:		
Released	\$1,488.0	\$ 166.2
Completed, not released	12.8	--
In process and other	260.8	--
Program rights	838.3	979.3
	-----	-----
	2,599.9	1,145.5
Less current portion	986.9	356.5
	-----	-----
	\$1,613.0	\$ 789.0
	=====	=====
Total non-current inventory	\$1,944.5	\$ 789.5
	=====	=====

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

5) BANK FINANCING AND DEBT

Long-term debt consists of the following:

	December 31,	
	1994	1993
	----	----
	(Millions of dollars)	
Notes payable to banks (a)	\$7,709.4	\$1,983.2
6.625% Senior Notes due 1998	150.0	--
5.875% Senior Notes due 2000*	149.5	--
7.5% Senior Notes due 2002*	247.0	--
8.25% Senior Debentures due 2022*	247.0	--
7.5% Senior Debentures due 2023*	149.5	--
9.125% Senior Subordinated Notes due 1999*	150.0	150.0
8.75% Senior Subordinated Reset Notes due 2001 (b)*	100.0	100.0
10.25% Senior Subordinated Notes due 2001*	200.0	200.0
7.0% Senior Subordinated Debentures due 2003, net of unamortized discount of \$48.4 million*	183.1	--
8.0% Merger Debentures due 2006, net of unamortized discount of \$131.3 million (c)	938.6	--
Other Notes due 1995 to 1996	71.8	--
Obligations under capital leases	127.5	65.3
	-----	-----
	10,423.4	2,498.5
Less current portion	21.0	58.5
	-----	-----
	\$10,402.4	\$2,440.0
	=====	=====

\* Issues of Viacom International guaranteed by the Company.

(a) -- On July 1, 1994, the Company entered into an aggregate \$6.489 billion credit agreement (the "Viacom Credit Agreement"), and Viacom International Inc. ("Viacom International") and certain of its subsidiaries (the "Subsidiary Obligors") entered into a \$311 million credit agreement (the "Viacom International Credit Agreement," together with the Viacom Credit Agreement, collectively the "Credit Agreements") each with certain banks, the proceeds of which were used to refinance debt related to the Paramount Merger and the previously existing bank debt of the Company, Viacom International and Paramount. On September 29, 1994, the Company entered into an aggregate \$1.8 billion credit agreement (the "\$1.8 billion Credit Agreement") with certain banks, the proceeds of which were used to refinance the previously existing bank debt of Blockbuster.

The Company guarantees the Viacom International Credit Agreement and notes and debentures issued by Viacom International. Viacom International guarantees Viacom's Credit Agreement, the \$1.8 billion Credit Agreement and notes and debentures issued by the Company.

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

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

The Viacom Credit Agreement is comprised of (i) a \$2.5 billion senior unsecured 2-1/2 year revolving short term loan (the "Short-Term Loan") maturing December 31, 1996, (ii) a \$1.8 billion senior unsecured 8 year reducing revolving loan (the "Revolving Loan") maturing July 1, 2002 and (iii) a \$2.189 billion 8 year term loan maturing July 1, 2002 (the "Term Loan"). The Viacom International Credit Agreement is comprised of a \$311 million 8-year term loan to Viacom International and certain of its subsidiaries maturing July 1, 2002. The \$1.8 billion Credit Agreement is comprised of a \$1.8 billion senior unsecured reducing revolving loan to the Company maturing July 1, 2002.

The interest rate on all loans made under the three facilities is based upon Citibank, N.A.'s base rate or the London Interbank Offered Rate and is affected by the Company's credit rating. At December 31, 1994, the London Interbank Offered Rates ("LIBOR") (upon which the Company's borrowing rate was based) for borrowing periods of one month and two months were 6.0% and 6.25%, respectively. At December 31, 1993, LIBOR for borrowing periods of one and two months were 3.25% and 3.3125%, respectively.

The Company may prepay the loans and reduce commitments under the Viacom Credit Agreement and the \$1.8 billion Credit Agreement in whole or in part at any time. The Company is required, subject to certain conditions, to make prepayments under the Short-Term Loan resulting from receipt of the first \$2.5 billion in the aggregate of net cash proceeds from asset sales other than in the ordinary course of business or from capital market transactions. In the event that a Subsidiary Obligor ceases to be a wholly owned subsidiary of the Company or Viacom International, the loans of such Subsidiary Obligor shall be due and payable on the date on which such subsidiary ceases to be a wholly owned subsidiary. If such event occurs prior to December 31, 1996 or the repayment in full of all Short-Term Loans, the Company may elect to convert any outstanding portion of the Short-Term Loan into additional Term Loans in an amount equal to the principal amount of such Subsidiary Obligor's loan.

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

The credit agreements contain certain customary events of default and provide that it is an event of default if National Amusements, Inc. ("NAI") fails to own at least 51% of the outstanding voting stock of the Company.

The Company is required to pay a commitment fee based on the aggregate daily unborrowed portion of the loan commitments. As of December 31, 1994, the Company had \$957 million of available loan commitments. The credit agreements do not require compensating balances.

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



(b) -- The \$100 million aggregate principal amount of 8.75% Senior Subordinated Reset Notes ("8.75% Reset Notes") are due on May 15, 2001. On May 15, 1995 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.

(c) -- The Company issued an aggregate principal amount of \$1,069.9 million of 8% Merger Debentures as part of the Paramount Merger consideration. The balance sheet reflects the fair value of the 8% Merger Debentures plus amortization of the related discount.

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Extraordinary Losses

During 1994, the proceeds from the Viacom Credit Agreement were used to refinance the previously existing bank debt of the Company. The Company recognized an extraordinary loss from the extinguishment of debt of \$20.4 million, net of a tax benefit of \$11.9 million.

On July 15, 1993, Viacom International redeemed all of the \$298 million principal amount outstanding of the 11.80% Senior Subordinated Notes at a redemption price equal to 103.37% of the principal amount plus accrued interest to July 15, 1993. Viacom International recognized an extraordinary loss from the extinguishment of debt of \$8.9 million, net of a tax benefit of \$6.1 million.

On June 18, 1992, the Company redeemed all of the \$356.5 million principal amount outstanding of the 14.75% Senior Subordinated 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 at a redemption price equal to 101% of the principal amount plus accrued interest to the redemption date. The Company recognized an extraordinary loss of \$17.1 million, net of a tax benefit of \$11.3 million.

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

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

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

	Year Ended December 31,		
	-----		
	(Millions of dollars)		
	1994	1993	1992
	----	----	----
Interest Incurred	\$ 536.3	\$154.5	\$195.7
Interest Income	\$ 32.6	\$ 9.1	\$ 1.1
Capitalized Interest	\$ 9.6	\$ .4	\$ .5

Scheduled maturities of long-term debt of the Company through December 31, 1999, assuming full utilization of the commitments under the credit agreements (after giving effect to the reduction in commitments resulting from the sale of MSG), are \$1.9 billion (1996), \$163 million (1997), \$1.0 billion (1998) and \$1.5 billion (1999).

#### 6) 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 and senior subordinated debt is \$2.5 billion and the fair value, which is estimated based on quoted market prices, is approximately \$2.4 billion.

The Company enters into interest rate exchange agreements with off-balance sheet risk in order to reduce its exposure to changes in interest rates on its variable rate long-term debt and/or take advantage of changes in interest rates. These interest rate exchange agreements include interest rate swaps and interest rate caps. At December 31, 1994, the Company had \$2.1 billion of interest rate exchange agreements outstanding with commercial banks. \$1.6 billion of these agreements, which expire over the next three years, effectively change the Company's interest rate on an equivalent amount of variable rate borrowings to a fixed rate of 6.8%. The remaining \$500 million of interest rate exchange agreements, which expire during 1995, effectively convert \$500 million of its debt from an average fixed rate of 7.9% to a variable rate (8.0% at December 31). 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 enters into foreign currency exchange contracts in order to reduce its exposure to changes in foreign currency exchange rates. To date, the hedges have been purchased options and forward contracts. A forward contract is an agreement between parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. An option contract provides the right, but not the obligation, to buy or sell currency at a fixed rate on a future date. At December 31, 1994, the Company had outstanding contracts with a notional value of approximately \$36 million, which hedge the European Currency Unit and Japanese Yen, and expire in 1995 and 1996. Realized gains and losses on contracts that hedge expected future cash flows are recognized in "Other Items, Net" and were not material in the current period.

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

#### 7) SHAREHOLDERS' EQUITY

On July 7, 1994 and September 29, 1994, the Company issued equity securities to holders of Paramount Communications and Blockbuster common stock, respectively (See Note 2).

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

On October 22, 1993, Blockbuster purchased 24 million shares of cumulative convertible preferred stock, par value \$.01 per share, of the Company ("Series A Preferred Stock") for \$600 million. The Preferred Stock purchased by Blockbuster was canceled upon consummation of the Blockbuster Merger. On November 19, 1993, NYNEX Corporation ("NYNEX") purchased 24 million shares of cumulative convertible preferred stock, par value \$.01 per share, of the Company ("Series B Preferred Stock," collectively with the Series A Preferred Stock, "Preferred Stock") for \$1.2 billion. Series B Preferred Stock has a

liquidation preference of \$50 per share, 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 Series B Preferred Stock is redeemable by the Company at declining premiums after five years.

NAI holds approximately 26% and the public holds approximately 74% of the Company's outstanding Common Stock as of December 31, 1994. NAI owns 61% of the outstanding Viacom Class A Common Stock as of December 31, 1994.

Long-Term Incentive Plans - The purpose of the Long-Term Incentive Plans (the "Plans") is to benefit and advance the interests of the Company by rewarding certain key employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future. The Plans provide for 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 phantom shares 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.

In addition to the 25.0 million stock option Awards outstanding under various plans, as of December 31, 1994 there are phantom shares for 643,098 shares of common stock all of which are vested, at an average grant price of \$29 and vest over a three year period from the date of grant. The stock options generally vest over a four to six year period from the date of grant and expire 10 years after the date of grant.

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

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

The following table summarizes the stock activity under the various plans:

	Number of Shares -----	Per Share Option Price range -----
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
Granted	3,931,562	34.75 to 52.125
Assumed in connection with the Mergers	19,955,783	1.45 to 44.94
Exercised	(1,336,751)	6.67 to 37.07
Canceled	(1,508,535)	11.74 to 55.25
	-----	
Balance at December 31, 1994	25,015,116	\$ 1.45 to \$55.25
	-----	

Stock options available for future grant:

December 31, 1994	6,143,638
December 31, 1993	1,994,020
Shares issuable under exercisable stock options:	
December 31, 1994	18,110,234
December 31, 1993	1,448,570

The Company has reserved 1,847,302 shares of Viacom Class A Common Stock and 57,577,294 shares of Viacom Class B Common Stock principally for exercise of stock options and warrants, the conversion of the Preferred Stock, CVRs and VCRs. Such shares are based on the average market value of Viacom Class B Common Stock as of March 27, 1995.

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

8) INCOME TAXES

The provision for income taxes shown below for the years ended December 31, 1994, 1993 and 1992 represents federal, state and foreign income taxes on earnings before income taxes. Earnings (loss) accounted for under the equity method of accounting are shown net of tax on the Company's Statement of Operations. The tax provision (benefit) relating to earnings (loss) from equity investments in 1994, 1993 and 1992 are \$9.8 million, \$(.6) million and \$(2.2) million, respectively. See Note 3 and 5 for tax benefits relating to the Discontinued Operations and 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 \$10.4 million in 1993 as the cumulative effect of a change in accounting principle. SFAS 109 mandates the liability method for computing deferred income taxes.

Earnings before income taxes are attributable to the following jurisdictions:

	Year Ended December 31,		
	1994	1993	1992
	-----	-----	-----
	(Millions of dollars)		
United States	\$179.4	\$267.8	\$138.2
Foreign	197.3	34.0	17.4
	-----	-----	-----
Total	\$376.7	\$301.8	\$155.6
	-----	-----	-----

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

	Year Ended December 31,		
	1994	1993	1992
	-----	-----	-----
	(Millions of dollars)		
Current:			
Federal	\$139.1	\$89.5	\$47.3
State and local	78.3	10.4	17.9
Foreign	65.8	5.6	4.6
	-----	-----	-----
	283.2	105.5	69.8
Deferred	(3.5)	24.3	15.0
	-----	-----	-----
	\$279.7	\$129.8	\$84.8
	-----	-----	-----
	-----	-----	-----

VIACOM 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 summarized as follows:

	Year Ended December 31,		
	1994	1993	1992
	-----	-----	-----
Statutory U.S. tax rate	35.0%	35.0%	34.0%
State and local taxes, net of federal tax benefit	6.6	5.7	4.7
Effect of foreign operations	.2	.5	1.9
Amortization of intangibles	25.9	7.1	18.2
Divestiture tax versus book	1.5	(3.2)	--
Property and equipment basis difference	--	--	7.2
Income tax reserve adjustment	--	(5.0)	(12.9)
Effect of changes in statutory rate	--	.5	--
Other, net	5.1	2.4	1.4
	----	----	----
Effective tax rate	74.3%	43.0%	54.5%
	=====	=====	=====

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.

VIACOM 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, 1994 and 1993.

	Year Ended December 31,	
	1994	1993
	----	----
	(Millions of dollars)	
Current deferred tax assets and (liabilities):		
Recognition of revenue	\$ 22.5	\$ 17.8
Sales return and allowances	96.6	--
Publishing costs	72.2	--
Employee compensation and other payroll related expenses	24.1	--
Other differences between tax and financial statement values	(21.6)	(1.5)
	----	----
Gross current deferred net tax assets	193.8	16.3
	----	----
Noncurrent deferred tax assets and (liabilities):		
Depreciation/amortization of fixed assets and intangibles	(9.8)	(102.1)
Reserves including restructuring and relocation charges	334.4	39.3
Program costs	(67.9)	(18.4)
Acquired net operating loss and tax credit carryforwards	100.3	--
Amortization of discount on 8% Merger Debentures	85.7	--

Recognition of revenue	89.9	(3.5)
Other differences between tax and financial statement values	72.8	(.5)
	-----	-----
Gross noncurrent deferred net tax assets	605.4	(85.2)
	-----	-----
Valuation allowance	(75.7)	--
	-----	-----
Total net deferred tax assets (liabilities)	\$ 723.5	\$ (68.9)
	-----	-----
	-----	-----

As of December 31, 1994 and December 31, 1993, the Company had total non-current deferred net tax assets (liabilities) of \$605.4 million and (\$85.2) million, and current deferred net tax assets of \$193.8 million and \$16.3 million, respectively. The 1994 net deferred tax assets include a valuation allowance of \$75.7 million, principally relating to acquired net operating loss and tax credit carryforwards which are subject to statutory limitations.

As of December 31, 1994, the Company had net operating loss carryforwards of approximately \$239 million, capital loss carryforwards of approximately \$10 million and tax credit carryforwards of approximately \$12 million, which were acquired by the Company as a result of its 1994 mergers with Paramount Communications and Blockbuster. The carryforwards are subject to statutory limitations which resulted from a change of ownership. The carryforward periods expire in years 1995 through 2009.

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

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 \$881 million at December 31, 1994. No provision has been made for additional U.S. or foreign taxes that could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings indefinitely, and it is not practicable to estimate the amount of any such additional taxes.

The following table identifies the deferred tax items which were part of the Company's tax provision under previously applicable accounting principles for the year ended December 31, 1992 (millions of dollars):

Deferred compensation	\$22.7
Depreciation	7.6
Syndication advance payments	4.1
Litigation accrual	(13.3)
Sale of cable system	(6.9)
Other, net	.9
	-----
	\$15.1
	-----
	-----

9) PENSION PLANS, OTHER POSTRETIREMENT BENEFITS AND  
POSTEMPLOYMENT BENEFITS

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

government securities.

Net periodic pension cost consists of the following components:

	Year Ended December 31,		
	1994	1993	1992
	(Millions of dollars)		
Service cost - benefits earned during the period	\$ 22.1	\$ 5.4	\$ 4.6
Interest cost on projected benefit obligation	33.4	4.1	3.3
Return on plan assets:			
Actual	2.9	(1.8)	(1.4)
Deferred	(37.7)	(1.1)	(.8)
Net amortizations	.6	.5	.5
Net pension cost	\$ 21.3	\$ 7.1	\$ 6.2

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

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

	December 31,		
	1994		1993
	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
	(Millions of dollars)		
Actuarial present value of benefit obligations:			
Accumulated benefit obligation:			
Vested	\$ (414.8)	\$ (4.1)	\$ (34.4)
Non-vested	(28.5)	--	(3.2)
Total	\$ (443.3)	\$ (4.1)	\$ (37.6)
Projected benefit obligation	\$ (519.7)	\$ (5.9)	\$ (58.8)
Plan assets at fair value	442.2	5.8	32.6
Projected Benefit Obligation in excess of Plan assets	(77.5)	(.1)	(26.2)
Unrecognized net (gain) losses	(13.4)	.8	8.1
Unrecognized prior service cost	3.8	--	3.7
Unrecognized transition obligation	1.8	--	--
Adjustment to recognize minimum liability	(.9)	--	(.5)
(Pension liability) Prepaid pension cost at year end	\$ (86.2)	\$ .7	\$ (14.9)

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

	1994	1993	1992
Discount rate	8.5%	7.5%	8.25%
Return on plan assets	9-10%	9%	9%
Rate of increase in future compensation	5-6%	6%	6%

In addition, during 1994, certain of the Company's employees participated in multiemployer pension plans, for which the Company had other pension expense of \$10.9 million.

The Company sponsors a welfare plan which provides certain postretirement health care and life insurance benefits to substantially all of the Paramount Communications employees and their covered dependents who generally have worked

10 years and are eligible for early or normal retirement under the provisions of the Paramount Communications retirement plan. The welfare plan is contributory and contains cost-sharing features such as deductible and coinsurance which are adjusted annually. The plan is not funded. The Company continues to fund these benefits as claims are paid.

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

The components of the amount recognized as of December 31, 1994 are as follows (in millions):

Accumulated postretirement benefit obligation attributable to:	
Current retirees	\$ 88.9
Fully eligible active plan participants	17.8
Other active plan participants	35.1
Unrecognized net gain	21.4
	-----
Accumulated postretirement benefit obligation	\$ 163.2
	-----
	-----

The components of net periodic postretirement benefit cost for the year ended December 31, 1994 are as follows (in millions):

Service costs-benefits earned	\$ 4.4
Interest cost on accumulated postretirement benefit obligation	9.5
	-----
Net periodic postretirement benefit cost	\$13.9
	-----
	-----

For purposes of valuing the accumulated postretirement benefit obligation, the discount rate was 8.5%, the assumed weighted average health care cost trend rates are 12% grading down to 5.5% over 8 years for retired both over and under age 65, and 10% grading down to 5.5% over 7 years for managed care under age 65. A one percentage point increase in each year of these health care cost trend rates would increase the accumulated postretirement benefit obligation at December 31, 1994 by \$19.9 million, and increase the sum of the service and interest cost components of net period postretirement benefit cost by \$2.6 million.

In addition the Company contributed to multiemployer plans which provide health and welfare benefits to active as well as retired employees. The Company had costs of \$10.0 million related to these benefits during 1994.

In 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting For Postemployment Benefits" ("SFAS 112"). SFAS 112 did not have a significant effect on the Company's consolidated financial position or results of operations.

10) COMMITMENTS AND CONTINGENCIES

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

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

At December 31, 1994, minimum rental payments under noncancellable leases are as follows:

Operating	Capital
-----------	---------



	Leases -----	Leases -----
	(Millions of dollars)	
1995	\$ 487.1	\$ 28.9
1996	407.9	23.7
1997	367.7	21.4
1998	323.6	23.1
1999	270.6	20.6
2000 and thereafter	1,373.9	65.0
	-----	-----
Total minimum lease payments	\$ 3,230.8	182.7
Less amounts representing interest	=====	55.2
		-----
Present value of net minimum payments		\$127.5
		=====

The Company has also entered into capital leases for transponders with future minimum commitments commencing in future periods of approximately \$207.9 million payable over the next eleven years. Such commitments are contingent upon the successful operation of satellites. Future minimum capital lease payments have not been reduced by future minimum sublease rentals of \$23.7 million. Rent expense amounted to \$240.2 million (1994), \$74.2 million (1993), and \$67.9 million (1992).

The commitments of the Company for program license fees, which are not reflected in the balance sheet as of December 31, 1994 and are estimated to aggregate approximately \$2.0 billion, principally reflect commitments under Showtime Networks Inc.'s ("SNI's") exclusive arrangements with several motion picture companies. This estimate is based upon a number of factors. A majority of such fees are payable over several years, as part of normal programming expenditures of SNI. These commitments are contingent upon delivery of motion pictures which are not yet available for premium television exhibition and, in many cases, have not yet been produced.

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

Certain subsidiaries and affiliates of the Company from time to time receive claims from Federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup costs and related damages, principally relating to discontinued operations conducted by its former mining and manufacturing businesses (acquired as part of the Mergers). The Company has recorded a liability at approximately the mid-point of its estimated range of environmental exposure. Such liability was not reduced by potential insurance recoveries and reflects management's estimate of cost sharing at multiparty sites. The estimated range of the potential liability was calculated based upon currently available facts, existing technology and presently enacted laws and regulations. On the basis of

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

its experience and the information currently available to it, the Company believes that the claims it has received will not have a material adverse effect on its results of operations or financial position.

11) FOREIGN OPERATIONS

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

Year Ended December 31,

	1994	1993	1992
	(Millions of dollars)		
Revenues	\$ 1,223.2	\$122.2	\$68.2
Earnings before income taxes	\$ 197.3	\$ 34.0	\$17.4
Net earnings	\$ 170.9	\$ 33.7	\$16.4
Current assets	\$ 1,021.3	\$ 54.2	\$47.8
Total assets	\$ 2,397.6	\$115.7	\$73.9
Total liabilities	\$ 784.9	\$ 68.7	\$57.4

Total export revenues were \$137.4 million (1994), \$25.2 million (1993) and \$34.9 million (1992).

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

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

12) BUSINESS SEGMENTS

	Year Ended December 31,		
	1994	1993	1992
	(Millions of dollars)		
Revenues:			
Networks and Broadcasting	\$ 1,855.1	\$ 1,403.0	\$ 1,227.7
Entertainment	2,285.2	209.1	248.3
Video and Music/Theme Parks	1,070.4	--	--
Publishing	1,786.4	--	--
Cable Television	406.2	416.0	411.1
Intercompany elimination	(40.1)	(23.2)	(22.4)
Total revenues	\$ 7,363.2	\$ 2,004.9	\$ 1,864.7
Earnings (loss) from continuing operations:			
Networks and Broadcasting	\$ 357.1	\$ 314.4	\$ 237.5
Entertainment	(88.4)	32.5	59.7
Video and Music/Theme Parks	199.5	--	--
Publishing	193.9	--	--
Cable Television	78.8	110.2	122.0
Corporate	(132.6)	(72.1)	(71.3)
Total earnings from operations	\$ 608.3	\$ 385.0	\$ 347.9
Depreciation and amortization:			
Networks and Broadcasting	\$ 96.2	\$ 68.2	\$ 66.3
Entertainment	94.4	9.5	6.8
Video and Music/Theme Parks	90.4	--	--
Publishing	103.0	--	--
Cable Television	76.4	71.5	68.5
Corporate	5.3	3.9	3.2
Total depreciation and amortization	\$ 465.7	\$ 153.1	\$ 144.8
Identifiable assets at year end:			
Networks and Broadcasting	\$ 3,939.3	\$ 2,538.6	\$ 2,326.5
Entertainment	7,402.0	845.6	829.6
Video and Music/Theme Parks	10,135.3	--	--
Publishing	5,194.7	--	--
Cable Television	1,030.1	963.0	972.1
Corporate	572.3	2,069.7	188.9
Total identifiable assets at year end	\$ 28,273.7	\$ 6,416.9	\$ 4,317.1
Capital expenditures:			
Networks and Broadcasting	\$ 53.8	\$ 40.7	\$ 31.2
Entertainment	19.6	4.9	7.1
Video and Music/Theme Parks	145.9	--	--
Publishing	34.5	--	--
Cable Television	99.8	79.5	54.6
Corporate	11.3	9.9	17.3
Total capital expenditures	\$ 364.9	\$ 135.0	\$ 110.2

VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13) QUARTERLY FINANCIAL DATA (unaudited):

Summarized quarterly financial data for 1994 and 1993 appears below:

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----	Total Year -----
	(In millions, except per share amounts)				
1994					
Revenue (1) .....	\$ 837.8	\$ 1,612.6	\$ 2,135.4	\$ 2,777.4	\$ 7,363.2
Earnings (loss) from continuing operations (1) .....	\$ (306.7)	\$ 185.8	\$ 422.8	\$ 306.4	\$ 608.3
Net earnings (loss) from continuing operations before extraordinary losses and cumulative effect of change in accounting principle (1) (2) .....	\$ (435.5)	\$ 265.6	\$ 335.1	\$ (34.7)	\$ 130.5
Net earnings (loss) (1) (2) .....	\$ (431.6)	\$ 244.1	\$ 327.3	\$ (50.2)	\$ 89.6
Net earnings (loss) attributable to common stock (1) (2) .....	\$ (454.1)	\$ 221.6	\$ 312.3	\$ (65.2)	\$ 14.6
Net earnings per common share:					
Primary:					
Net earnings (loss) from continuing operations before extraordinary losses and cumulative effect of change in accounting principle .....	\$ (3.62)	\$ 1.69	\$ 1.45	\$ (.14)	\$ .25
Net earnings (loss) .....	\$ (3.59)	\$ 1.54	\$ 1.41	\$ (.18)	\$ .07
Weighted average number of common shares .....	126.4	143.5	221.1	358.2	220.0
Fully diluted:					
Net earnings (loss) from continuing operations before extraordinary losses and cumulative effect of change in accounting principle .....	\$ (3.62)	\$ 1.43	\$ 1.36	\$ (.14)	\$ .25
Net earnings (loss) .....	\$ (3.59)	\$ 1.30	\$ 1.32	\$ (.18)	\$ .07
Weighted average number of common shares .....	126.4	169.7	247.2	358.2	220.4
1993					
Revenues .....	\$ 470.7	\$ 495.8	\$ 508.1	\$ 530.3	\$ 2,004.9
Earnings from continuing operations .....	\$ 90.2	\$ 106.6	\$ 110.1	\$ 78.1	\$ 385.0
Net earnings before extraordinary losses and cumulative effect of changes in accounting principle (3) .....	\$ 70.6	\$ 41.6	\$ 30.9	\$ 26.4	\$ 169.5
Net earnings .....	\$ 81.0	\$ 41.6	\$ 22.0	\$ 26.4	\$ 171.0
Net earnings attributable to common stock .....	\$ 81.0	\$ 41.6	\$ 22.0	\$ 13.6	\$ 158.2
Net earnings per common share:					
Net earnings (loss) 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
Weighted average number of common shares .....	120.5	120.5	120.6	120.8	120.6

- (1) The first quarter of 1994 reflects Paramount Communications' results of operations commencing March 1, 1994 and merger-related charges of \$332.1 million. Results of operations of MSG have been restated to discontinued operations. The fourth quarter of 1994 reflects Blockbuster's results of operations commencing October 1, 1994. (See Notes 2 and 3.)
- (2) The second quarter of 1994 reflects the pre-tax gain on the sale of the one-third partnership interest in Lifetime of \$267.4 million. (See Note 14.)
- (3) 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.)

VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14) OTHER ITEMS, NET

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

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; representing 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 the Company 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 such litigation.

#### 15) SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,		
	1994	1993	1992
	----	----	----
	(Millions of dollars)		
Cash payments for interest net of amounts capitalized	\$ 293.6	\$167.4	\$194.9
Cash payments for income taxes	135.2	32.7	50.7
Supplemental schedule of non-cash financing and investing activities:			
Paramount Merger Consideration	3,175.0	--	--
Blockbuster Merger Consideration	7,622.8	--	--
Class B Common Stock issued as satisfaction for LTIP liability	--	--	6.9
Equipment acquired under capitalized leases	47.6	44.4	26.2
Cancellation of Preferred Stock and Viacom Class B Common Stock issued to Blockbuster	1,850.0	--	--

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#### VIACOM INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 16) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Viacom International is a wholly owned subsidiary of Viacom. Viacom's guarantees of the Viacom International debt securities are full and unconditional (See Note 5). Viacom has determined that separate financial statements and other disclosures concerning Viacom International are not material to investors. On January 3, 1995, Paramount Communications was merged into Viacom International and, therefore, the net assets of Paramount Communications (reflected in non-guarantor affiliates) which includes approximately \$1.0 billion of issuances of long-term debt became obligations of Viacom International.

The following condensed consolidating financial statements present the results of operations, financial position and cash flows of Viacom, Viacom International (carrying any investments in non-guarantor affiliates under the equity method), and non-guarantor affiliates of Viacom, and the eliminations necessary to arrive at the information for the Company on a consolidated basis. Financial statements of Viacom International for 1993 and 1992 as previously filed on Form 10-K are incorporated by reference herein.

	Viacom	Viacom International	Non- Guarantor Affiliates	Eliminations	The Company Consolidated
	(In millions)				
Revenues .....	\$1,031.1	\$ 988.6	\$5,356.7	\$ (13.2)	\$7,363.2
Expenses:					
Operating .....	691.7	601.0	3,121.5	(13.2)	4,401.0
Selling, general and administrative .....	73.8	414.8	1,399.6	--	1,888.2
Depreciation and amortization .....	59.8	47.6	358.3	--	465.7
Total expenses .....	825.3	1,063.4	4,879.4	(13.2)	6,754.9
Earnings (loss) from continuing operations .....	205.8	(74.8)	477.3	--	608.3
Other income (expense):					
Interest expense, net .....	(325.6)	(78.7)	(89.8)	--	(494.1)
Other items, net .....	(1.6)	267.1	(3.0)	--	262.5
Earnings (loss) from continuing operations before income taxes .....	(121.4)	113.6	384.5	--	376.7
Provision (benefit) for income taxes .....	(14.8)	61.3	233.2	--	279.7
Equity in earnings (loss) of affiliated companies, net of tax .....	207.6	167.0	24.4	(380.4)	18.6
Minority interest .....	(3.0)	(.2)	18.1	--	14.9
Net earnings from continuing operations ..	98.0	219.1	193.8	(380.4)	130.5
Loss from discontinued operations, net of tax .....	--	--	(20.5)	--	(20.5)
Net earnings before extraordinary loss and cumulative effect of change in accounting principle .....	98.0	219.1	173.3	(380.4)	110.0
Extraordinary loss, net of tax .....	(8.4)	(12.0)	--	--	(20.4)
Net earnings .....	89.6	207.1	173.3	(380.4)	89.6
Cumulative convertible preferred stock dividend requirement .....	75.0	--	--	--	75.0
Net earnings attributable to common stock .....	\$ 14.6	\$ 207.1	\$ 173.3	\$ (380.4)	\$ 14.6

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VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	1994				
	Viacom	Viacom International	Non- Guarantor Affiliates	Elimination	The Company Consolidated
	(In millions)				
Assets					
Current Assets:					
Cash and cash equivalents .....	\$ 135.6	\$ 63.4	\$ 398.7	\$ --	\$ 597.7
Receivables, less allowances .....	279.0	236.8	1,138.0	(15.0)	1,638.8
Inventory .....	515.7	10.8	304.4	--	830.9
Theatrical and television inventory .....	178.4	133.5	675.0	--	986.9
Other current assets .....	59.8	49.6	394.1	--	503.5
Net assets of discontinued operations .....	--	--	697.4	--	697.4
Total current assets .....	1,168.5	494.1	3,607.6	(15.0)	5,255.2
Property and equipment .....	667.0	170.8	2,261.8	--	3,099.6
Less accumulated depreciation .....	(17.2)	(46.7)	(452.6)	--	(516.5)
Net property and equipment .....	649.8	124.1	1,809.2	--	2,583.1
Inventory .....	419.1	282.4	1,243.0	--	1,944.5
Intangibles, at amortized cost .....	6,787.5	801.6	8,522.6	--	16,111.7
Investment in consolidated subsidiaries .....	3,577.0	176.2	--	(3,753.2)	--
Other assets .....	712.8	348.8	1,458.1	(140.5)	2,379.2
	\$ 13,314.7	\$2,227.2	\$ 16,640.5	\$ (3,908.7)	\$ 28,273.7
Liabilities and Shareholders' Equity					
Current Liabilities:					
Accounts payable .....	\$ 450.9	\$ 23.4	\$ 296.6	\$ --	\$ 770.9
Accrued interest .....	131.5	14.9	88.5	--	234.9
Accrued compensation .....	42.0	83.4	215.2	--	340.6
Deferred income, current .....	--	9.8	241.1	--	250.9
Merger consideration payable .....	261.7	--	--	--	261.7
Other accrued expenses .....	323.5	183.4	938.6	(8.7)	1,436.8
Participants share, residuals and royalties payable .....	11.4	104.8	513.8	--	630.0
Program rights, current .....	--	20.3	180.5	(16.4)	184.4
Current portion of long-term debt .....	3.8	7.4	9.8	--	21.0

Total current liabilities .....	1,224.8	447.4	2,484.1	(25.1)	4,131.2
Long-term debt .....	8,583.0	560.1	1,496.7	(237.4)	10,402.4
Other liabilities .....	(8,299.6)	(192.0)	2,585.3	7,854.8	1,948.5
Shareholders' equity					
Preferred Stock .....	1,200.0	--	--	--	1,200.0
Common Stock .....	3.5	.1	--	(.1)	3.5
Additional paid-in capital .....	10,576.0	787.6	9,973.1	(10,757.2)	10,579.5
Retained earnings .....	31.7	627.6	95.0	(743.7)	10.6
Cumulative translation adjustment .....	(4.7)	(3.6)	6.3	--	(2.0)
Total shareholders' equity .....	11,806.5	1,411.7	10,074.4	(11,501.0)	11,791.6
	\$ 13,314.7	\$ 2,227.2	\$ 16,640.5	\$ (3,908.7)	\$ 28,273.7

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

	1994				
	Viacom	Viacom International	Non-Guarantor Affiliates	Elimination	The Company Consolidated
	(In millions)				
Net cash flow from operating activities .....	\$ (25.5)	\$ 22.4	\$ 376.8	\$ (34.5)	\$ 339.2
Investing Activities:					
Capital expenditures .....	(112.2)	(39.5)	(213.2)	--	(364.9)
Investments in and advances to affiliated companies .....	--	(26.5)	(24.8)	--	(51.3)
Distribution from affiliated companies .....	--	4.5	33.2	--	37.7
Proceeds from disposition .....	--	317.6	--	--	317.6
Acquisitions, net of cash acquired .....	(6,609.1)	--	354.5	--	(6,254.6)
Proceeds from sale of short-term investments .....	--	--	156.2	--	156.2
Payments for purchase of short-term investments .....	--	--	(102.2)	--	(102.2)
Deposits on transponders .....	--	(1.1)	--	--	(1.1)
Other, net .....	(19.2)	(5.8)	(3.3)	(7.8)	(36.1)
Net cash flow from investing activities .....	(6,740.5)	249.2	200.4	(7.8)	(6,298.7)
Financing Activities:					
Short-term borrowings (repayments) from banks, net .....	5,175.9	(1,541.1)	(74.8)	--	3,560.0
Repayment to banks under credit facilities .....	(13.9)	--	--	--	(13.9)
Increase (decrease) in intercompany payables .....	(1,202.1)	1,271.2	(111.4)	42.3	--
Proceeds from issuance of Class B Common Stock .....	1,250.0	--	--	--	1,250.0
Payment of Preferred Stock dividends .....	(72.7)	--	--	--	(72.7)
Payment of deferred financing costs .....	(86.8)	(.3)	--	--	(87.1)
Other, net .....	42.8	(.9)	(3.4)	--	38.5
Net cash flow from financing activities .....	5,093.2	(271.1)	(189.6)	42.3	4,674.8
Net increase (decrease) in cash and cash equivalents .....	(1,672.8)	.5	387.6	--	(1,284.7)
Cash and cash equivalents at beginning of year .....	1,808.4	62.9	11.1	--	1,882.4
Cash and cash equivalents at end of year .....	\$ 135.6	\$ 63.4	\$ 398.7	\$ --	\$ 597.7

Item 9. Disagreements on Accounting and Financial Disclosure - Not applicable.

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VIACOM INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

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

	Reference (Page/s)
1. Report of Independent Accountants .....	II-14
2. Management's Statement of Responsibility for Financial Reporting ....	II-15
3. Consolidated Statements of Operations for the years ended December 31, 1994, 1993 and 1992 .....	II-16
4. Consolidated Balance Sheets as of December 31, 1994 and 1993 .....	II-17-II-18
5. Consolidated Statements of Cash Flows for the years ended December 31, 1994, 1993 and 1992 .....	II-19
6. Consolidated Statements of Shareholders' Equity for the years ended December 31, 1994, 1993 and 1992 .....	II-20
7. Notes to Consolidated Financial Statements .....	II-21-II-47
Report of Independent Accountants on Financial Statement Schedule .....	F-2
Financial Statement Schedule:	
II. Valuation and qualifying accounts .....	F-3

All other Schedules are omitted since the required information is not present.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and  
Shareholders of Viacom Inc.

Our audits of the consolidated financial statements referred to in our report dated February 10, 1995, appearing on page II-14 of this annual report on Form 10-K also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

1177 Avenue of the Americas  
New York, New York 10036  
February 10, 1995

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

(Millions 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 -----	Col. D ----- Deductions -----	Col. E ----- Balance at End of Period -----
Allowance for doubtful accounts:					
Year ended December 31, 1994 .....	\$33.9	\$61.6	\$46.1 (A) (B)	\$65.8	\$75.8
Year ended December 31, 1993 .....	\$25.8	\$16.7	\$ 3.5 (B)	\$12.1	\$33.9
Year ended December 31, 1992 .....	\$28.6	\$ 9.4	\$ (.2) (B)	\$12.0	\$25.8
Valuations allowance on deferred tax assets:					
Year ended December 31, 1994 .....	--	\$75.7	--	--	\$75.7
Reserves for inventory obsolescence:					
Year ended December 31, 1994 .....	--	\$32.3	\$119.9 (A)	\$26.9	\$125.3

Notes:

- (A) Primarily represents adjustments made as part of the Mergers.
- (B) Represents balance sheet reclassifications related to certain entertainment receivables.
- (C) Includes amounts written off, net of recoveries.

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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 Report on Form 8-K of Viacom Inc. with a report date of October 18, 1994 relating to the commencement of a litigation concerning Blockbuster's acquisition of the plaintiffs' interests in a limited partnership.

Current Report on Form 8-K of Viacom Inc. with a report date of December 15, 1994 relating to the institution of cross-guarantees by each of Viacom Inc., Viacom International Inc. and Paramount Communications 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, Senior Vice President,  
Controller, Chief Accounting Officer

Date: March 31, 1995

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, 1995
-----		
	George S. Abrams, Director	
By	*	March 31, 1995
-----		
	Steven R. Berrard, Director	
By	/s/ Frank J. Biondi, Jr .	March 31, 1995
-----		
	Frank J. Biondi, Jr., Director	
By	/s/ Philippe P. Dauman	March 31, 1995
-----		
	Philippe P. Dauman, Director	
By	*	March 31, 1995
-----		
	William C. Ferguson, Director	
By	*	March 31, 1995
-----		
	H. Wayne Huizenga, Director	
By	*	March 31, 1995
-----		
	George D. Johnson, Jr., Director	
By	*	March 31, 1995
-----		
	Ken Miller, Director	
By	*	March 31, 1995
-----		
	Brent D. Redstone, Director	
By	*	March 31, 1995
-----		
	Sumner M. Redstone, Director	
By	*	March 31, 1995
-----		
	Shari Redstone, Director	
By	*	March 31, 1995
-----		
	Frederic V. Salerno, Director	
By	*	March 31, 1995
-----		
	William Schwartz, Director	
* By	/s/ Philippe P. Dauman	March 31, 1995
-----		
	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.
(2)	Plan of Acquisition	
(a)	Agreement and Plan of Merger dated as of January 7, 1994, as amended as of June 15, 1994, between Viacom Inc. and Blockbuster Entertainment Corporation (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-55271).	
(b)	Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 between Viacom Inc. and Paramount Communications Inc., as further amended as of May 26, 1994, among Viacom, Viacom Sub Inc. and Paramount Communications Inc. (incorporated by reference to Exhibit 2.1, included as Annex I, to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-53977).	
(3)	Articles of Incorporation and By-laws	
(a)	Restated Certificate of Incorporation of Viacom Inc. (incorporated by reference to Exhibit 3(a) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553).	
(b)	Amendment to Restated Certificate of Incorporation of Viacom Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-4 filed by Viacom Inc. (File No. 33-55271).	
(c)	Certificate of Merger merging Blockbuster Entertainment Corporation with and into Viacom Inc. (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-3 filed by Viacom Inc. ) (File No. 33-55785).	
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(d)	Certificate of the Designations, Powers, Preferences and Relative, Participating or other Rights, and the Qualifications, Limitations or Restrictions thereof, of Series B Cumulative Convertible Preferred Stock (\$0.01 par value) of Viacom Inc. (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended September 30, 1993) (File No. 1-9553)	
(e)	By-laws of Viacom Inc. (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-13812).	
(4)	Instruments defining the rights of security holders, including indentures:	
(a)	Specimen certificate representing the Viacom Inc. Voting Common Stock (currently Class A Common	

Stock) (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 filed by Viacom Inc. ) (File No. 33-13812).

- (b) Specimen certificate representing Viacom Inc. Class B Non-Voting Common Stock (incorporated by reference to Exhibit 4(a) to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1990) (File No. 1-9553).
- (c) Specimen certificate representing Viacom Inc. Series B Cumulative Convertible Preferred Stock of Viacom Inc. (incorporated by reference to Exhibit 4(d) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1993, as amended by Form 10-K/A Amendment No. 1 dated May 2, 1994) (File No. 1-9533).
- (d) Form of Contingent Value Rights Agreement between Viacom Inc. and Harris Trust and Savings Bank, as Trustee (including the Form of Contingent Value Right) (incorporated by reference to Exhibit 4.6 to the Registration Statement on Form S-4 filed by Viacom Inc. ) (File No. 33-53977).
- (e) Form of Warrant Agreement between Viacom Inc. and Harris Trust and Savings Bank, as Warrant Agent with respect to the Warrants expiring July 1, 1997 of Viacom Inc. (including the Form of Warrant expiring July 1, 1997) (incorporated by reference to Exhibit 4.7 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-53977).

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- (f) Form of Warrant Agreement between Viacom Inc. and Harris Trust and Savings Bank, as Warrant Agent with respect to the Warrants expiring July 1, 1999 of Viacom Inc. (including the Form of Warrant expiring July 1, 1999) (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-53977).
- (g) Form of Certificate representing the Variable Common Rights of Viacom Inc. (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-4 filed by Viacom Inc.) (File No. 33-55271).
- (h) Credit Agreement dated as of July 1, 1994 among Viacom Inc.; the Bank parties thereto; The Bank of New York ("BNY"), Citibank N.A. ("Citibank"), Morgan Guaranty Trust Company of New York and Bank of America NT&SA, as Managing Agents; BNY, as Documentation Agent; Citibank, as Administrative Agent; JP Morgan Securities Inc., as Syndication Agent; and the Agents and Co-Agents named therein (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Viacom Inc. dated July 22, 1994) (File No. 1-9553).
- (i) Credit Agreement dated as of September 29, 1994, among Viacom Inc., the Banks parties thereto, the Bank of New York, as a Managing Agent and as the Documentation Agent, Citibank, N.A, as a Managing Agent and as the Administrative Agent, Morgan Guaranty Trust Company of New York, as a Managing Agent, JP Morgan Securities Inc., as the Syndication Agent, The Bank of America

NT&SA, as a Managing Agent, and the Banks named as Agents therein (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of Viacom Inc. dated September 29, 1994) (File No. 1-9553).

- (j) The instruments defining the rights of holders of the long-term debt securities of Viacom Inc. and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. Viacom Inc. hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request.

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(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. 1994 Long-Term Management Incentive Plan (incorporated by reference to Exhibit B to Viacom Inc.'s Proxy Statement/Prospectus dated June 6, 1994). \*
- (c) Viacom Inc. Senior Executive Short-Term Incentive Plan (incorporated by reference to Exhibit A to Viacom Inc.'s Proxy Statement/Prospectus dated June 6, 1994). \*
- (d) 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 Report on Form 10-K of Viacom Inc. for the fiscal year ended December 21, 1991) (File No. 1 - 9553), and as further amended by amendment dated December 17, 1992 (incorporated by reference to Exhibit 10(d) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553).\*
- (e) 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. for the quarter ended June 30, 1993) (File No. 1-9553).\*
- (f) Viacom International Inc. Deferred Compensation Plan for Non-Employee Directors (as amended and restated through December 17, 1992) (incorporated by reference to Exhibit 10(e) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553).\*
- (g) Viacom Inc. and Viacom International Inc. Retirement Income Plan for Non-Employee Directors (incorporated by reference to Exhibit 10(f) to the Annual

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

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Reports on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1989) (File No. 1-9553).\*

- (h) Viacom Inc. Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1993) (File No. 1-9553).
- (i) Viacom Inc. 1994 Stock Option Plan for Non-Employee Directors (filed herewith). \*
- (j) Excess Benefits Investment Plan for Certain Key Employees of Viacom International Inc. (effective April 1, 1984 and amended as of January 1, 1990) (incorporated by reference to Exhibit 10(h) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1990) (File No. 1-9553).\*
- (k) 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).\*
- (l) Employment Agreement, dated as of August 1, 1994, between Viacom Inc. and Frank J. Biondi, Jr. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended September 30, 1994) (File No. 1-9533). Agreement under the Viacom Inc. 1994 Long-Term Management Incentive Plan, dated as of August 18, 1994, between Viacom Inc. and Frank J. Biondi, Jr. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended September 30, 1994) (File No. 1-9533)\*
- (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 Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31,

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

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1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553), and as further amended by an Agreement dated February 7, 1995 (filed herewith). \*

- (n) Agreement, dated as of April 1, 1994, between Viacom Inc. and Thomas E. Dooley (filed herewith)\*. Letter Agreement, dated as of April 1, 1994, between Viacom Inc. and Thomas E. Dooley (filed herewith).\*
- (o) Agreement, dated as of July 1, 1994, between Viacom Inc. and Edward D. Horowitz (filed herewith)\*. Letter Agreement, dated as of July 1, 1994, between Viacom Inc. and Edward D. Horowitz (filed herewith). \*
- (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 Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated December 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553), as amended by an Agreement, dated as of April 1, 1994, between Viacom Inc., Viacom International Inc. and Philippe P. Dauman (filed herewith). \* Letter Agreement, dated as of April 1, 1994, between Viacom Inc. and Philippe P. Dauman (filed herewith). \*
- (q) Service Agreement, dated as of March 1, 1994. between George S. Abrams and Viacom Inc. (filed herewith). \*
- (r) Blockbuster Entertainment Corporation ("BEC") stock option plans\* assumed by Viacom Inc. after the Blockbuster Merger consisting of the following:

- (i) BEC's 1989 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated March 31, 1989)

- (ii) Amendments to BEC's 1989 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 3, 1991 )

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

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- (iii) BECs 1990 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated March 29, 1990)

- (iv) Amendments to BEC's 1990 Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 15, 1991 )

- (v) BEC's 1991 Employee Director Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 15, 1991 )

- (vi) BEC's 1991 Non-Employee Director Stock Option Plan (incorporated by reference to BEC's Proxy Statement dated April 15, 1991 )

- (vii) BEC's 1994 Stock Option Plan (incorporated

by reference to Exhibit 10.35 to the Annual Report on Form 10-K of BEC for the fiscal year ended December 31, 1993) (File No. 0-12700)

- (s) Asset Purchase Agreement dated as of January. 20, 1995 among Tele-Vue Systems, Inc., Viacom International Inc., Intermedia Partners, IV. L.P. and RCS Pacific, L.P. (filed herewith).
- (11) Statements re Computation of Net Earnings Per Share
- (21) Subsidiaries of Viacom Inc.
- (23) Consents of Experts and Counsel
  - (a) Consent of price Waterhouse
- (24) Powers of Attorney
- (27) Financial Data Schedule



VIACOM INC.

1994 STOCK OPTION PLAN  
FOR OUTSIDE  
DIRECTORS

ARTICLE I

GENERAL

Section 1.1 Purpose.

The purpose of the Viacom Inc. 1994 Stock Option Plan for Outside Directors (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), and its affiliates by obtaining and retaining the services of qualified persons who are not employees of the Company or its affiliates to serve as directors and to induce them to make a maximum contribution to the success of the Company and its affiliates.

Section 1.2 Definitions.

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

- (a) "Board" shall mean the Board of Directors of the Company.
- (b) "Class B Common Stock" shall mean the shares of Class B Common Stock, par value \$0.01 per share, of the Company.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto.
- (d) "Date of Grant" shall mean November 8, 1994, and each succeeding August 1, commencing with August 1, 1995.
- (e) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, including any successor law thereto.
- (f) "Effective Date" of the Plan shall be November 8, 1994.
- (g) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the average closing price of a share of Class B Common Stock on the American Stock Exchange or such other national securities exchange as may be designated by the Board or, in the event that the Class B Common Stock is not listed for trading on a national securities exchange but is quoted on an automated quotation system, the average closing bid price per share of Class B Common Stock on such automated quotation system or, in the event that the Class B Common Stock is not quoted on any such system, the average of the closing bid prices per share of Class B Common Stock as furnished by a professional marketmaker making a market in the Class B Common Stock designated by the Board.
- (h) "Grant" shall mean a grant of Stock Options under the Plan.
- (i) "LTMIP" shall mean the Company's 1994 Long-Term Management Incentive Plan and/or any successor to such Plan, as applicable.
- (j) "Non-Qualified Stock Options" shall mean Stock Options which do not meet the requirements of Section 422 of the Code.
- (k) "Outside Director" shall mean any member of the Board of Directors of

the Company who is not an employee of the Company, Viacom International Inc., Paramount Communications Inc., National Amusements, Inc. or any of their respective affiliates. An individual shall not be deemed an employee for purposes of the Plan unless such individual receives compensation from either the Company or an affiliate of the Company for services performed as an employee of the Company or any of its affiliates.

- (l) "Outstanding Stock Option" shall mean a Stock Option granted to an Outside Director which has not yet been exercised and which has not yet expired in accordance with its terms.
- (m) "Stock Option" shall mean a contractual right granted to an Outside Director under the Plan to purchase a share of Class B Common Stock at such time and price, and subject to the terms and conditions, as are set forth in the Plan.
- (n) To "vest" a Stock Option held by an Outside Director shall mean to render such Stock Option nonforfeitable.

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### Section 1.3 Administration of the Plan.

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

### Section 1.4 Class B Common Stock Subject to the Plan.

The total number of shares of Class B Common Stock that shall be reserved for distribution upon grant of Stock Options under the Plan shall be 200,000, subject to adjustment pursuant to Section 4.2 hereof. The shares of Class B Common Stock shall be made available from authorized but unissued Class B Common Stock or from Class B Common Stock issued and held in the treasury of the Company, as shall be determined by the Board. Exercise of Stock Options in any manner shall result in a decrease in the number of shares of Class B Common Stock which thereafter may be issued for purposes of this Section 1.4, by the number of shares as to which the Stock Options are exercised. Shares of Class B Common Stock with respect to which Stock Options expire, are cancelled without being exercised or are otherwise terminated, may be regranted under the Plan.

## ARTICLE II

### GRANTS OF STOCK OPTIONS

Each person who is an Outside Director on the Effective Date shall be granted an award of Non-Qualified Stock Options to purchase 1,500 shares of Class B Common Stock at an option price per share equal to the Fair Market Value of a share of Class B Common Stock on such date (the "Date of Grant" of such Stock Options), on the terms and conditions set forth in the Plan. In addition, in recognition of their long years of dedicated service to the Company as Outside Directors and their role in helping to steer the Company through its spectacular growth and development, each person who is an Outside Director on the Effective Date and who was an Outside Director in July 1987 shall be granted an award of Non-Qualified Stock Options to purchase 10,000 shares of Class B Common Stock at an option price per share equal to the Fair Market Value of a share of Class B Common Stock on the Effective Date (the "Date of Grant" of such Stock Options), on the terms and conditions set forth in the Plan. Thereafter, on August 1, 1995 and each of the second through ninth anniversaries thereof, each person who is an Outside Director on such date shall be granted an additional award of Non-Qualified Stock Options to purchase 1,500 shares of Class B Common Stock, effective as of such date (the "Date of Grant" of such Stock Options), at an

option price per share equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant, on the terms and conditions set forth in the Plan. The exercise price of the Stock Options granted under the Plan shall be subject to adjustment in accordance with the provisions of Section 4.2 of the Plan. The terms and conditions of a Grant of Stock Options shall be set forth in an option certificate which shall be delivered to the Outside Director reasonably promptly following the Date of Grant of such Stock Options.

### ARTICLE III

#### TERMS AND CONDITIONS OF STOCK OPTIONS

##### Section 3.1 Exercise of Stock Options.

- (a) **Exercisability.** Stock Options shall be exercisable only to the extent the Outside Director is vested therein. Each Grant of Stock Options under the Plan shall vest on the first anniversary of the Date of Grant of such Stock Options.
- (b) **Option Period.**
- (i) **Earliest Exercise Date.** No Stock Option granted under the Plan shall be exercisable until six months after the Date of Grant thereof.
- (ii) **Latest Exercise Date.** No Stock Option granted under the Plan shall be exercisable after the tenth anniversary of the Date of Grant thereof.
- (iii) **Registration Restrictions.** Any attempt to exercise a Stock Option or to transfer any share issued upon exercise of a Stock Option by any Outside Director shall be void and of no effect, unless and until (A) a registration statement under the Securities Act of 1933, as amended, has been duly filed and declared effective pertaining to the shares of Class B Common Stock subject to such Stock Option have been duly qualified under applicable Federal or state securities or blue sky laws or (B) the Board, in its sole discretion, determines, or the Outside Director, upon the request of the Board, provides an opinion of counsel satisfactory to the Board, that such registration or qualification is not required as a result of the availability of any exemption

from registration or qualification under such laws. Without limiting the foregoing, if at any time the Board shall determine, in its sole discretion, that the listing, registration or qualification of the shares of Class B Common Stock under any Federal or state law or on any securities exchange or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, delivery or purchase of such shares pursuant to the exercise of a Stock Option, such Stock Option shall not be exercised in whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

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

- (i) Termination other than for Death or Permanent Disability. If the services of an Outside Director as a Director of the Company terminate for any reason other than for death or permanent disability, the Outside Director may exercise any Outstanding Stock Options only within one year after the termination date, but only to the extent such Outstanding Stock Options were vested on the date of such Outside Director's termination. Upon a termination described in this Section 3.1(c)(i), the Outside Director shall relinquish all rights with respect to Stock Options that are not vested as of such termination date.
- (ii) Death. If an Outside Director dies within a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options may be exercised only within one year after his death, but only to the extent such Outstanding Stock Options were vested on the date of death, by any person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution. All rights with respect to Outstanding Stock Options that are not vested on the date of death will be relinquished.
- (iii) Permanent Disability. If the services of an Outside Director as a Director of the Company terminate by reason of permanent disability, he may exercise his Outstanding Stock Options only within one year after the termination of his services, but only to the extent such Outstanding Stock Options were vested when his services terminated. Upon a termination described in this Section 3.1(c)(iii), the Outside Director shall relinquish all rights with respect to Stock Options that are not vested as of such termination date.

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Section 3.2 Payment of Purchase Price Upon Exercise.

Every share of Class B Common Stock purchased through the exercise of a Stock Option shall be paid for in full at the time of exercise in cash (e.g. personal bank check, certified check or official bank check).

ARTICLE IV

EFFECT OF CERTAIN CORPORATE CHANGES AND  
CHANGES IN CONTROL

Section 4.1 Effect of Reorganization.

In the event that (i) the Company is merged or consolidated with another corporation, (ii) one person becomes the beneficial owner of more than fifty percent (50%) of the issued and outstanding voting equity securities of the Company (for purposes of this Section 4.1, the terms "person" and "beneficial owner" shall have the meanings assigned to them in Section 13(d) of the Exchange Act), (iii) all or substantially all of the assets of the Company are acquired by another corporation, person or entity (each such event in (i), (ii) or (iii) or any other similar event or series of events which results in an event described in (i), (ii) or (iii), being hereinafter referred to as a "Reorganization Event") or (iv) the Board shall propose that the Company enter into a Reorganization Event, then all the Outstanding Stock Options under the Plan shall be immediately exercisable as of the date of such Reorganization Event. For the purposes of this Section 4.1, no event or series of events involving National Amusements, Inc., the Company or any of their affiliates shall be deemed to be a Reorganization Event unless such event or series or events results in there being no class of equity securities of the Company (or the successor of the Company) which is publicly traded.

Section 4.2 Dilution and Other Adjustments.

In the event of a stock dividend or split, issuance or repurchase of stock or securities convertible into or exchangeable for shares of stock, grants of options, warrants or rights (other than pursuant to the Plan) to purchase stock, recapitalization, combination, exchange or similar change affecting the Class B Common Stock, as the case may be, in order to provide each Outside Director with a benefit equivalent to that which he would have been entitled had such event not occurred, the Outstanding Stock Options under the Plan shall be adjusted in the same manner as the Outstanding Stock Options (as such term is defined in the LTMIP) under the LTMIP shall be adjusted. Such adjustments shall be conclusive and binding for all purposes. In the event of a change in the Class B Common Stock which is limited to a change in the designation thereof to "Capital Stock" or other similar designation, or to a change in the par value thereof, or from par value to no par value, without increase or decrease in the number of issued shares, the shares resulting from any such change shall be deemed to be Class B Common Stock within the meaning of the Plan.

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## ARTICLE V

### MISCELLANEOUS

#### Section 5.1 Restriction on Transfer.

Except to the extent permitted by the rules under Section 16b-3 of the Exchange Act, the rights of an Outside Director with respect to Stock Options shall not be transferable by the Outside Director to whom such Stock Options are granted, otherwise than by will or the laws of descent and distribution.

#### Section 5.2 Stockholder Rights.

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

#### Section 5.3 No Restriction on Right of Company to Effect Corporate Changes.

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

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#### Section 5.4 No Right to Reelection.

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

## ARTICLE VI

### AMENDMENT AND TERMINATION

The Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part; provided, however, that in no event may the provisions of the Plan respecting eligibility to participate or the timing or amount of grants be amended more frequently than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or any rules or regulations thereunder; and provided, further, that any amendment which under the requirements of applicable law must be approved by the stockholders of the Company shall not be effective unless and until such stockholder approval has been obtained in compliance with such law; and provided, further, that any amendment that must be approved by the stockholders of the Company in order to maintain the continued qualification of the Plan under Rule 16b-3(c)(2)(ii) under the Exchange Act shall not be effective unless and until such stockholder approval has been obtained in compliance with such rule. No termination or amendment of the Plan may, without the consent of an Outside Director to whom a Grant has been made, adversely affect the rights of such Director in the Stock Options covered by such Grant. Unless previously terminated pursuant to this Article VI, the Plan shall terminate on the tenth anniversary of the Effective Date, and no further Grants may be awarded hereunder after such date.

## ARTICLE VII

### INTERPRETATION

#### Section 7.1 Governmental Regulations.

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

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#### Section 7.2 Headings.

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

#### Section 7.3 Governing Law.

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

## ARTICLE VIII

### EFFECTIVE DATE AND STOCKHOLDER APPROVAL

The Effective Date of the Plan shall be November 8, 1994 and stockholder approval shall be sought at the first annual meeting of stockholders following such date. In the event that stockholder approval is not obtained on or before the date of such annual meeting, the Plan and all Grants hereunder shall be void ab initio and of no effect. No Stock Option shall be exercisable until the date of such stockholder approval.



Exhibit 10(m)

February 7, 1995

VIACOM

Mr. Mark M. Weinstein  
One Gracie Square  
New York, New York 10028

Dear Mr. Weinstein:

Reference is made to that certain employment agreement between you and Viacom International Inc. ("Viacom"), dated as of August 1, 1990, as amended as of February 1, 1993 (the "Employment Agreement").

This letter, when fully executed below, shall amend your Employment Agreement as follows:

1. Duties. Section 2 shall be amended, effective January 17, 1995, to replace the second and third sentences with the following sentence:

"You will be Senior Vice President, Government Affairs of Viacom and Viacom Inc. and you agree to perform the duties of such office, and such other duties reasonable and consistent with such office as may be assigned to you from time to time by the President, Chief Executive Officer of Viacom (the "CEO") or his designee who shall be a person who reports to the CEO, which duties include the performance of national government affairs and the operation of a Washington, D.C. office for a Washington, D.C. subsidiary of Viacom."

2. Salary/Long-Term Incentive Plan. Section 3(c) shall be amended, effective as of February 1, 1993, to replace the third sentence with the following:

"You have received a grant of stock options for 60,000 shares of Class B Common Stock under the Viacom Inc. 1994 Long-Term Management Incentive Plan (the "1994 LTMIP") which represented a two-year grant of stock options covering 1994 and 1995 (the

"1994/1995 Stock Options"). Any such 1994/1995 Stock Options that have not vested on December 31, 1997 shall be accelerated and become immediately exercisable on December 31, 1997."

Except as herein amended, all other terms and conditions of the Employment Agreement shall remain the same and the Employment Agreement, as herein amended, shall remain in full force and effect.

If the foregoing correctly sets forth our understanding, please sign one copy of this letter and return it to the undersigned, whereupon this letter shall constitute a binding amendment to your Employment Agreement.



Very truly yours,

VIACOM INTERNATIONAL INC.

By: /s/ William A. Roskin

-----  
Name: William A. Roskin  
Title: Senior Vice President,  
Human Resources and  
Administration

ACCEPTED AND AGREED:

/s/ Mark M. Weinstein

-----  
Mark M. Weinstein

As of April 1, 1994

Thomas E. Dooley  
147 Oxford Boulevard  
Garden City, New York 11530

Dear Mr. Dooley

Viacom Inc. ("Viacom"), having an address at 1515 Broadway, New York, New York 10036, agrees to employ you and you agree to accept such employment upon the following terms and conditions:

1. Term. The term of your employment hereunder shall commence on April 1, 1994 and, unless terminated by Viacom or you pursuant to paragraph 8 hereof, shall continue through and until August 1, 1999. The period from April 1, 1994 through August 1, 1999 shall hereinafter be referred to as the "Employment Term" notwithstanding any earlier termination pursuant to paragraph 8.

2. Duties. During the Employment Term, you agree to devote your entire business time, attention and energies to the business of Viacom and its subsidiaries. You will be Executive Vice President - Finance, Corporate Development and Communications of Viacom, reporting directly to the Chief Executive Officer of Viacom (the "CEO"), and you agree to perform such duties, and such other duties reasonable and consistent with such office as may be assigned to you from time to time by the CEO. Your principal place of business shall be at Viacom's headquarters in the New York City metropolitan area.

3. Compensation.

(a) Salary: For all the services rendered by you in any capacity hereunder, Viacom agrees to pay you the sum of Eight Hundred Thousand Dollars (\$800,000) per annum ("Salary"), payable in accordance with Viacom's then effective payroll practices. Your Salary will be reviewed and increased by a minimum of 10% on each of April 1, 1995 and April 1, 1996. On April 1, 1997, your Salary will be reviewed and increased to no less than One Million Dollars (\$1,000,000) per annum (and may be reviewed and increased thereafter) for the remainder of the Employment Term.

(b) Bonus Compensation: In addition to your Salary, you shall be entitled to receive bonus compensation for each of the calendar years during the Employment Term, determined and payable as follows ("Bonus"):

(i) Your Bonus for each of the calendar years during the Employment Term will be based upon a measurement of performance against objectives in accordance with the Viacom Senior Executive Short-Term Incentive Plan, as the same may be amended from time to time.

(ii) Your Target Bonus for each of calendar years 1994, 1995 and 1996 shall be 150% of your Salary on November 1st of such calendar year. Your Target Bonus for each of calendar years 1997, 1998 and 1999 shall be 180% of your Salary on November 1st of such calendar year (or August 1st in the case of 1999). Your Target Bonus may be prorated for 1999.

(iii) Your Bonus for any calendar year shall be payable by February 28 of the following year.

(c) Long-Term Incentive Plans: You will be eligible to participate in one or more of Viacom's long-term incentive plans at a level appropriate to your position as determined by the Viacom Board of Directors.

4. Benefits.

(a) You shall be entitled to participate in such vacation, medical, dental and life insurance, 401(k), pension and other plans as Viacom, as applicable, may have or establish from time to time and in which you would be entitled to participate pursuant to the terms thereof. The foregoing, however, shall not be construed to require Viacom to establish any such plans or to prevent the modification or termination of such plans once established, and no such action or failure thereof shall affect this Agreement. It is further understood and agreed that all benefits you may be entitled to as an employee of Viacom shall be based upon your Salary, as set forth in paragraph 3(a) hereof, and not upon any bonus compensation due, payable or paid to you hereunder, except where the benefit plan expressly provides otherwise.

(b) Viacom shall provide you with no less than Three Million Dollars (\$3,000,000) of life insurance during the Employment Term.

5. Business Expenses. During the Employment Term, you shall be reimbursed for such reasonable travel and other expenses incurred in the performance of your duties hereunder as are customarily reimbursed to senior executives of Viacom reporting directly to the CEO. You shall be entitled to a car allowance of Eleven Hundred Dollars (\$1,100) per month.

6. Exclusive Employment, Confidential Information, Etc.

(a) Non-Competition. You agree that your employment hereunder is on an exclusive basis, and that during the Employment Term, you will not engage in any other business activity which is in conflict with your duties and obligations hereunder. You agree that during the Employment Term you shall not directly or indirectly engage in or participate as an officer, employee, director, agent of or consultant for any business directly competitive with that of Viacom, nor shall you make any investments in any company or business competing with Viacom; provided, however, that nothing herein shall prevent you from investing as less than a one (1%) percent shareholder in the securities of any company listed on a national securities exchange or quoted on an automated quotation system.

(b) Confidential Information. You agree that you shall not, during the Employment Term or at any time thereafter, use for your own purposes, or disclose to or for the benefit of any third party, any trade secret or other confidential information of Viacom or any of its affiliates (except as may be required by law or in the performance of your duties hereunder consistent with Viacom's policies) and that you will comply with any confidentiality obligations of Viacom to a third party, whether under agreement or otherwise. Notwithstanding the foregoing, confidential information shall be deemed not to include information which (i) is or becomes generally available to the public other than as a result of a disclosure by you or any other person who directly or indirectly receives such information from you or at your direction or (ii) is or becomes available to you on a non-confidential basis from a source which is entitled to disclose it to you.

(c) No Employee Solicitation. You agree that, during the Employment Term and for one (1) year thereafter, you shall not, directly or indirectly, engage, employ, or solicit the employment of any person who is then or has been within six (6) months prior thereto, an employee of Viacom or any of Viacom's affiliates.

(d) Viacom Ownership. The results and proceeds of your services hereunder, including, without limitation, any works of authorship resulting from your services during your employment with Viacom and/or any of its affiliates and any works in progress, shall be works-made-for-hire and

Viacom shall be deemed the sole owner throughout the universe of any and all rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same

in perpetuity in any manner Viacom determines in its sole discretion without any further payment to you whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-for-hire and/or there are any rights which do not accrue to Viacom under the preceding sentence, then you hereby irrevocably assign and agree to assign any and all of your right, title and interest thereto, including, without limitation, any and all copyrights, patents, trade secrets, trademarks and/or other rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed to Viacom, and Viacom shall have the right to use the same in perpetuity throughout the universe in any manner Viacom determines without any further payment to you whatsoever. You shall, from time to time, as may be requested by Viacom, do any and all things which Viacom may deem useful or desirable to establish or document Viacom's exclusive ownership of any and all rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright and/or patent applications or assignments. To the extent you have any rights in the results and proceeds of your services that cannot be assigned in the manner described above, you unconditionally and irrevocably waive the enforcement of such rights. This paragraph 6(d) is subject to, and shall not be deemed to limit, restrict, or constitute any waiver by Viacom of any rights of ownership to which Viacom may be entitled by operation of law by virtue of Viacom or any of its affiliates being your employer.

(e) Litigation. You agree that, during the Employment Term, for one (1) year thereafter and, if longer, during the pendency of any litigation or other proceeding, (i) you shall not communicate with anyone (other than your own attorneys and tax advisors and except to the extent necessary in the performance of your duties hereunder) with respect to the facts or subject matter of any pending or potential litigation, or regulatory or administrative proceeding involving any of Viacom's affiliates, other than any litigation or other proceeding in which you are a party-in-opposition, without giving prior notice to Viacom or Viacom's counsel, and (ii) in the event that any other party attempts to obtain information or documents from you with respect to matters possibly related to such litigation or other proceeding, you shall promptly so notify Viacom's counsel.

(f) No Right to Give Interviews or Write Books, Articles, Etc. During the Employment Term, except as authorized by Viacom, you shall not (i) give any interviews or speeches, or (ii) prepare or assist any person or entity in the preparation of any books, articles, television or motion picture productions or other creations, in either case, concerning Viacom or any of Viacom's affiliates or any of their officers, directors, agents, employees, suppliers or customers.

(g) Return of Property. All documents, data, recordings, or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for you and utilized by you in the course of your employment with Viacom or any of its affiliates shall remain the exclusive property of Viacom. In the event of the termination of your employment for any reason, Viacom reserves the right, to the extent permitted by law and in addition to any other remedy Viacom may have, to deduct from any monies otherwise payable to you the following: (i) the full amount of any debt you owe to Viacom or any of its affiliates at the time of or subsequent to the termination of your employment with Viacom, and (ii) the value of the Viacom property which you retain in your possession after the termination of your employment with Viacom. In the event that the law of any state or other jurisdiction requires the consent of an employee for such deductions, this Agreement shall serve as such consent.

(h) Non-Disparagement. You agree that you shall not, during the Employment Term and for one (1) year thereafter, in any communications with any customer or client of Viacom or any of Viacom's affiliates, criticize, ridicule or make any statement which disparages or is derogatory of Viacom or Viacom's affiliates or any of their officers, directors, agents or employees.

(i) Injunctive Relief. Viacom has entered into this Agreement in order to obtain the benefit of your unique skills, talent, and experience. You acknowledge and agree that any violation of paragraphs 6(a) through (h) hereof will result in irreparable damage to Viacom, and, accordingly, Viacom may obtain injunctive and other equitable relief for any breach or threatened breach of such paragraphs, in addition to any other remedies available to Viacom.

(j) Survival; Modification of Terms. Your obligations under paragraphs 6(a) through (i) hereof shall remain in full force and effect for the entire period provided therein notwithstanding the termination of the Employment Term pursuant to paragraph 8 hereof or otherwise; provided, however, that your obligations under paragraph 6(a) shall cease if you terminate your employment for "Good Reason" or Viacom terminates your employment without "cause" (as such terms are defined in paragraph 8) and you notify Viacom in writing that you have elected to waive your right to receive, or to continue to receive, payments and benefits pursuant to clauses (i), (ii), (iii), (iv) and (v) of paragraph 8(d). You and Viacom agree that the restrictions and remedies contained in paragraphs 6(a) through (i) are reasonable and that it is your

intention and the intention of Viacom that such restrictions and remedies shall be enforceable to the fullest extent permissible by law. If it shall be found by a court of competent jurisdiction that any such restriction or remedy is unenforceable but would be enforceable if some part thereof were deleted or the period or area of application reduced, then such restriction or remedy shall apply with such modification as shall be necessary to make it enforceable.

7. Incapacity. You agree to enroll in the Viacom Long-Term Disability program, as the same may exist from time to time ("LTD"). In the event you become totally medically disabled and cannot substantially perform your duties at any time during the Employment Term, the CEO, at any time after such disability has continued for 30 consecutive days, may determine that Viacom requires such duties and responsibilities be performed by another executive. In the event the CEO makes such a determination, you shall be placed on a "medical payroll". You will first receive benefits under Viacom's short-term disability program for the first 26 weeks of consecutive absence. Thereafter, you will be eligible to receive benefits under the LTD program in accordance with its terms. Upon receipt of benefits under the LTD program, you will also be entitled to receive a pro-rated Target Bonus for the calendar year in which such benefits commence.

8. Termination.

(a) Termination for Cause. Viacom may, at its option, terminate this Agreement forthwith for "cause", and Viacom shall thereafter have no further obligations under this Agreement, including, without limitation, any obligation to pay Salary or Bonus or provide benefits under this Agreement. For purposes of this Agreement, termination of this Agreement for "cause" shall mean termination for dishonesty, conviction of a felony, or willful unauthorized disclosure of confidential information, or if you at any time materially breach this Agreement (including, without limitation, your failure, neglect of or refusal to substantially perform your obligations hereunder as set forth in paragraphs 2 and 11 hereof) except in the event of your disability as set forth in paragraph 7. Anything herein to the contrary notwithstanding, Viacom will give you written notice prior to terminating this Agreement for your material breach setting forth the exact nature of any alleged breach and the conduct

required to cure such breach. You shall have ten (10) business days from the giving of such notice within which to cure.

(b) Good Reason Termination. You may terminate your employment hereunder for "Good Reason" at any time during the Employment Term by written notice to Viacom not more than thirty (30) days after the occurrence of the event constituting "Good Reason". Such notice shall state an effective date no later than ten (10) business days after the date it is given. Good Reason

shall mean, without your prior written consent, other than in connection with the termination of your employment for "cause" (as defined above) or in connection with your permanent disability, the assignment to you by Viacom of duties substantially inconsistent with your positions, duties, responsibilities, titles or offices, the withdrawal of a material part of your responsibilities as set forth in paragraph 2, or the breach by Viacom of any of its material obligations hereunder.

(c) Termination Without Cause. Viacom may terminate your employment hereunder without "cause" (as defined above) at any time during the Employment Term by written notice to you.

(d) Termination Payments, Etc. In the event that your employment terminates pursuant to paragraph 8(b) or 8(c) hereof, you shall be entitled to receive, subject to applicable withholding taxes:

- (i) your Salary as provided in paragraph 3(a) until the end of the Employment Term, payable in accordance with Viacom's then effective payroll practices;
- (ii) bonus compensation for each calendar year during the Employment Term equal to your Target Bonus as set forth in paragraph 3(b);
- (iii) your car allowance as provided in paragraph 5 until the end of the Employment Term, payable in accordance with Viacom's then effective payroll practices;
- (iv) medical and dental insurance coverage under COBRA until the end of the Employment Term or, if earlier, the date on which you become eligible for medical and dental coverage from a third party employer; during this period, Viacom will pay an amount equal to the applicable COBRA premiums (or such other amounts as may be required by applicable law) (which amount will be included in your income for tax purposes to the extent required by applicable law); at the end of such period, you may elect to continue your medical and dental insurance coverage at your own expense for the balance, if any, of the period required by law;
- (v) the life insurance coverage set forth in paragraph 4(b) until the end of the Employment Term (the amount of Salary covered by such insurance to be reduced by the amount of any salary payable to you by a third party); and
- (vi) the following with respect to grants to you under

Viacom's 1989 and 1994 Long-Term Management  
Incentive Plans and any successor plans  
(collectively, the "LTMIP"):

- (x) stock options granted to you under the LTMIP which are exercisable on or prior to the date of the termination of your employment under paragraph 8(b) or 8(c) or that would have vested and become exercisable on or before the last day of the Employment Term will be exercisable until six (6) months after the date of such termination or, if earlier, the expiration date of the stock options; and
- (y) payments on the phantom shares granted to you under the LTMIP in 1989 will be calculated in the manner and made at such times as provided in the LTMIP;

provided, however, you shall be required to mitigate the amount of any payment provided for in (i), (ii) and (iii) of this paragraph 8(d) by seeking other employment or otherwise, and the amount of any such payment provided for in (i), (ii) and (iii) shall be reduced by any compensation earned by you from a third person except that mitigation shall not be required for eighteen(18) months after the termination of your employment or for the period commencing with the termination of your employment and ending on the last day of the Employment Term, whichever is shorter. The payments provided for in (i) above are in lieu of any severance or income continuation or protection under any Viacom plan that may now or hereafter exist. The payments and benefits to be provided pursuant to this paragraph 8(d) shall constitute liquidated damages, and shall be deemed to satisfy and be in full and final settlement of all obligations of Viacom to you under this Agreement.

(e) Termination of Benefits. Notwithstanding anything in this Agreement to the contrary (except as otherwise provided in paragraph 8(d) with respect to medical, dental and life insurance), coverage under all Viacom benefit plans and programs (including, without limitation, vacation, 401(k) and excess 401(k) plans, pension and excess pension plans, LTD, car insurance and accidental death and dismemberment and business travel and accident insurance) will terminate upon the termination of your employment except to the extent otherwise expressly provided in such plans or programs.

9. Death. If you die prior to the end of the Employment Term, your beneficiary or estate shall be entitled to receive your Salary up to the date on which the death occurs and a pro-rated Target Bonus.

10. Section 317 and 508 of the Federal Communications Act. You represent that you have not accepted or given nor will you accept or give, directly or indirectly, any money, services or other valuable consideration from or to anyone other than Viacom for the inclusion of any matter as part of any film, television program or other production produced, distributed and/or developed by Viacom and/or any of its affiliates.

11. Equal Opportunity Employer. You acknowledge that Viacom is an equal opportunity employer. You agree that you will comply with Viacom policies and applicable federal, state and local laws prohibiting discrimination on the basis of race, color, creed, national origin, age, sex or disability.

12. Notices. All notices required to be given hereunder shall be given in writing, by personal delivery or by mail at the respective addresses of the parties hereto set forth above, or at such other address as may be designated in writing by either party, and in the case of Viacom, to the

attention of the General Counsel of Viacom. Any notice given by mail shall be deemed to have been given three days following such mailing.

13. Assignment. This is an Agreement for the performance of personal services by you and may not be assigned by you or Viacom except that Viacom may assign this Agreement to any affiliate or any successor in interest to Viacom.

14. New York Law, Etc. This Agreement and all matters or issues collateral thereto shall be governed by the laws of the State of New York applicable to contracts entered into and performed entirely therein.

15. No Implied Contract. Nothing contained in this Agreement shall be construed to impose any obligation on Viacom to renew this Agreement or any portion thereof. The parties intend to be bound only upon execution of a written agreement and no negotiation, exchange of draft or partial performance shall be deemed to imply an agreement. Neither the continuation of employment nor any other conduct shall be deemed to imply a continuing agreement upon the expiration of this Agreement.

16. Entire Understanding. This Agreement contains the entire understanding of the parties hereto relating to the subject matter herein contained, and can be changed only by a writing signed by both parties hereto.

17. Void Provisions. If any provision of this Agreement, as applied to either party or to any circumstances, shall be adjudged by a court to be void or unenforceable, the same shall be deemed stricken from this Agreement and shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement.

18. Supersedes Previous Agreement. This Agreement supersedes and cancels all prior agreements relating to your employment by Viacom or any of its affiliates.

If the foregoing correctly sets forth our understanding, please sign one copy of this letter and return it to the undersigned, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

VIACOM INC.

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

\_\_\_\_\_  
Name: Frank J. Biondi, Jr.  
Title: President, Chief  
Executive Officer

ACCEPTED AND AGREED:

/S/ Thomas E. Dooley

\_\_\_\_\_  
Thomas E. Dooley



As of April 1, 1994

Thomas E. Dooley  
147 Oxford Boulevard  
Garden City, New York 11530

Dear Mr. Dooley:

Viacom Inc. ("Viacom") and you have entered into an employment agreement on the date hereof (the "Agreement"). All defined terms used herein without definition shall have the meanings set forth in the Agreement.

The Agreement provides that, in the event that you terminate your employment for Good Reason or Viacom terminates your employment without "cause", stock options granted to you under the LTMIP that have vested on the termination date or would have vested by the end of the Employment Term will be exercisable for six (6) months after the termination date. In order for these provisions to be effective, the LTMIP must be amended by the Viacom Board of Directors and the amendments approved by the Viacom stockholders at the 1995 Annual Stockholders Meeting.

In the event that the amendments to the LTMIP are not adopted or your employment terminates before these amendments become effective, Viacom and you agree that clause (vi) of paragraph 8(d) of the Agreement shall read as follows:

- "(vi) the following with respect to grants to you under Viacom's 1989 and 1994 Long-Term Management Incentive Plans and any successor plans (collectively, the "LTMIP"):
- (x) stock options granted to you under the LTMIP which become exercisable on or prior to the date of the termination of your employment under paragraph 8(d) or 8(c) must be exercised within three (3) months of such termination;
- (y) stock options granted to you under the LTMIP which are not exercisable on or prior to the date of the termination of your employment under paragraph 8(b) or 8(c) but that would have vested on or before the last day of the Employment Term, (1) may, at the sole determination of the Compensation Committee of the Viacom Board of Directors, become immediately exercisable and then may be exercised in accordance with the terms of the LTMIP or (2) shall be canceled and in lieu

Thomas E. Dooley  
As of April 1, 1994  
Page 2

thereof you shall be deemed to have been granted stock appreciation rights ("SARs") subject to the same terms and conditions as the canceled stock options. Such SARs shall be deemed to vest on the dates set forth in the LTMIP until the last day of the

Employment Term, you may exercise such SARs by written notice to Viacom until three (3) months after the last day of day of the Employment Term and you shall receive the difference between the exercise price and the value of Viacom stock as of the date of exercise, as such value is determined in the LTMIP, payable within ten (10) business days of such exercise: and

- (z) payments on the phantom shares granted to you under the LTMIP in 1989 will be calculated in the manner and made at such times as provided in the LTMIP;"

Very truly yours,

VIACOM INC.

By: Frank J. Biondi, Jr.

-----  
Name: Frank J. Biondi, Jr.  
Title: President, Chief  
Executive Officer

ACCEPTED AND AGREED:

/s/ Thomas E. Dooley

-----  
Thomas E. Dooley

As of July 1, 1994

Edward D. Horowitz  
105 Lawrence Drive  
Short Hills, New Jersey 07078

Dear Mr. Horowitz:

Viacom Inc. ("Viacom"), having an address at 1515 Broadway, New York, New York 10036, agrees to employ you and you agree to accept such employment upon the following terms and conditions:

1. Term. The term of your employment hereunder shall commence on July 1, 1994 and, unless terminated by Viacom or you pursuant to paragraph 8 hereof, shall continue through and until June 30, 1997. The period from July 1, 1994 through June 30, 1997 shall hereinafter be referred to as the "Employment Term" notwithstanding any earlier termination pursuant to paragraph 8.

2. Duties. During the Employment Term, you agree to devote your entire business time, attention and energies to the business of Viacom and its subsidiaries. You will be Senior Vice President, Technology and Chairman, Chief Executive Officer, Viacom Interactive Media of Viacom reporting directly to the Chief Executive Officer of Viacom (the "CEO") and you agree to perform such duties, and such other duties reasonable and consistent with such office as may be assigned to you from time to time by the CEO. Your principal place of business shall be at Viacom's headquarters in the New York City metropolitan area.

3. Compensation.

(a) Salary: For all the services rendered by you in any capacity hereunder, Viacom agrees to pay you the sum of Five Hundred Thousand Dollars (\$500,000) per annum ("Salary"), payable in accordance with Viacom's then effective payroll practices. Your Salary will be increased to Five Hundred Fifty Thousand Dollars (\$550,000) per annum on July 1, 1995 and Six Hundred Thousand Dollars (\$600,000) per annum on July 1, 1996.

(b) Bonus Compensation: In addition to your Salary, you shall be entitled to receive bonus compensation for each of the calendar years during the Employment Term, determined and payable as follows ("Bonus"):

(i) Your Bonus for each of the calendar years during the Employment Term will be based upon a measurement of performance against objectives in accordance with the Viacom Senior Executive Short-Term Incentive Plan, as the same may be amended from time to time.

(ii) Your Target Bonus for each of the calendar years during the Employment Term shall be 100% of Salary which may be prorated for any partial calendar year during the Employment Term.

(iii) Your Bonus for any calendar year shall be payable by February 28 of the following year.

(c) Long-Term Incentive Plans: You will be eligible to participate in one or more of Viacom's long-term incentive plans at a level appropriate to your position as determined by the Viacom Board of Directors.

4. Benefits. You shall be entitled to participate in such vacation, medical, dental and life insurance, 401(k), pension and other plans as

Viacom may have or establish from time to time and in which you would be entitled to participate pursuant to the terms thereof. The foregoing, however, shall not be construed to require Viacom to establish any such plans or to prevent the modification or termination of such plans once established, and no such action or failure thereof shall affect this Agreement. It is further understood and agreed that all benefits you may be entitled to as an employee of Viacom shall be based upon your Salary, as set forth in paragraph 3(a) hereof, and not upon any bonus compensation due, payable or paid to you hereunder, except where the benefit plan expressly provides otherwise.

5. Business Expenses. During the Employment Term, you shall be reimbursed for such reasonable travel and other expenses incurred in the performance of your duties hereunder as are customarily reimbursed to senior executives of Viacom. You shall be entitled to a car allowance in accordance with Viacom's policy.

6. Exclusive Employment, Confidential Information, Etc.

(a) Non-Competition. You agree that your employment hereunder is on an exclusive basis, and that during the Employment Term, you will not engage in any other business activity which is in conflict with your duties and obligations hereunder. You agree that during the Employment Term you shall not directly or indirectly engage in or participate as an officer, employee, director, agent of or consultant for any business directly competitive with that of Viacom, nor shall you make any investments in any company or business competing with Viacom; provided, however, that nothing herein shall prevent you from investing as less than a one (1%) percent shareholder in the securities of any company listed on a national securities exchange or quoted on an automated quotation system.

(b) Confidential Information. You agree that you shall not, during the Employment Term or at any time thereafter, use for your own purposes, or disclose to or for the benefit of any third party, any trade secret or other confidential information of Viacom or any of its affiliates (except as may be required by law or in the performance of your duties hereunder consistent with Viacom's policies) and that you will comply with any confidentiality obligations of Viacom to a third party, whether under agreement or otherwise. Notwithstanding the foregoing, confidential information shall be deemed not to include information which (i) is or becomes generally available to the public other than as a result of a disclosure by you or any other person who directly or indirectly receives such information from you or at your direction or (ii) is or becomes available to you on a non-confidential basis from a source which is entitled to disclose it to you.

(c) No Employee Solicitation. You agree that, during the Employment Term and for one (1) year thereafter, you shall not, directly or indirectly, engage, employ, or solicit the employment of any person who is then or has been within six (6) months prior thereto, an employee of Viacom or any of Viacom's affiliates.

(d) Viacom Ownership. The results and proceeds of your services hereunder, including, without limitation, any works of authorship resulting from your services during your employment with Viacom and/or any of its affiliates and any works in progress, shall be works-made-for-hire and Viacom shall be deemed the sole owner throughout the universe of any and all rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner Viacom determines in its sole discretion without any further payment to you whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-for-hire and/or there are any rights which do not accrue to Viacom under the preceding sentence, then you hereby irrevocably assign and agree to assign any and all of your right, title and

interest thereto, including, without limitation, any and all copyrights, patents, trade secrets, trademarks and/or other rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed to Viacom, and Viacom shall have the right to use the same in perpetuity throughout the universe in any manner Viacom determines without any further payment to you whatsoever. You shall, from time to time, as may be requested by Viacom, do any and all things which Viacom may deem useful or desirable to establish or document Viacom's exclusive ownership of any and all rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright and/or patent applications or assignments. To the extent you have any rights in the results and proceeds of your services that cannot be assigned in the manner described above, you unconditionally and irrevocably waive the enforcement of such rights. This paragraph 6(d) is subject to, and shall not be deemed to limit, restrict, or constitute any waiver by Viacom of any rights of ownership to which Viacom may be entitled by operation of law by virtue of Viacom or any of its affiliates being your employer.

(e) Litigation. You agree that, during the Employment Term, for one (1) year thereafter and, if longer, during the pendency of any litigation or other proceeding, (i) you shall not communicate with anyone (other than your own attorneys and tax advisors and except to the extent necessary in the performance of your duties hereunder) with respect to the facts or subject matter of any pending or potential litigation, or regulatory or administrative proceeding involving any of Viacom's affiliates, other than any litigation or other proceeding in which you are a party-in-opposition, without giving prior notice to Viacom or Viacom's counsel, and (ii) in the event that any other party attempts to obtain information or documents from you with respect to matters possibly related to such litigation or other proceeding, you shall promptly so notify Viacom's counsel.

(f) No Right to Give Interviews or Write Books, Articles, Etc. During the Employment Term, except as authorized by Viacom, you shall not (i) give any interviews or speeches, or (ii) prepare or assist any person or entity in the preparation of any books, articles, television or motion picture productions or other creations, in either case, concerning Viacom or any of Viacom's affiliates or any of their officers, directors, agents, employees, suppliers or customers.

(g) Return of Property. All documents, data, recordings, or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for you and utilized by you in the course of your employment with Viacom or any of its affiliates shall remain the exclusive property of Viacom. In the event of the termination of your employment for any reason, Viacom reserves the right, to the extent permitted by law and in addition to any other remedy Viacom may have, to

deduct from any monies otherwise payable to you the following: (i) the full amount of any debt you owe to Viacom or any of its affiliates at the time of or subsequent to the termination of your employment with Viacom, and (ii) the value of the Viacom property which you retain in your possession after the termination of your employment with Viacom. In the event that the law of any state or other jurisdiction requires the consent of an employee for such deductions, this Agreement shall serve as such consent.

(h) Non-Disparagement. You agree that you shall not, during the Employment Term and for one (1) year thereafter, in any communications with any customer or client of Viacom or any of Viacom's affiliates, criticize, ridicule or make any statement which disparages or is derogatory of Viacom or Viacom's affiliates or any of their officers, directors, agents or employees.

(i) Injunctive Relief. Viacom has entered into this Agreement in order to obtain the benefit of your unique skills, talent, and experience. You acknowledge and agree that any violation of paragraphs 6(a)

through (h) hereof will result in irreparable damage to Viacom, and, accordingly, Viacom may obtain injunctive and other equitable relief for any breach or threatened breach of such paragraphs, in addition to any other remedies available to Viacom.

(j) Survival; Modification of Terms. Your obligations under paragraphs 6(a) through (i) hereof shall remain in full force and effect for the entire period provided therein notwithstanding the termination of the Employment Term pursuant to paragraph 8 hereof or otherwise; provided, however, that your obligations under paragraph 6(a) shall cease if you terminate your employment for "Good Reason" or Viacom terminates your employment without "cause" (as such terms are defined in paragraph 8) and you notify Viacom in writing that you have elected to waive your right to receive, or to continue to receive, payments and benefits pursuant to clauses (i), (ii), (iii), (iv) and (v) of paragraph 8(d). You and Viacom agree that the restrictions and remedies contained in paragraphs 6(a) through (i) are reasonable and that it is your intention and the intention of Viacom that such restrictions and remedies shall be enforceable to the fullest extent permissible by law. If it shall be found by a court of competent jurisdiction that any such restriction or remedy is unenforceable but would be enforceable if some part thereof were deleted or the period or area of application reduced, then such restriction or remedy shall apply with such modification as shall be necessary to make it enforceable.

7. Incapacity. You agree to enroll in the Viacom Long-Term Disability program, as the same may exist from time to time ("LTD"). In the event you become totally medically disabled and cannot substantially perform your duties at any time during the Employment Term, the CEO, at any time after such disability has continued for 30 consecutive days, may determine that Viacom requires such duties and responsibilities be performed by another executive. In the event the CEO makes such a determination, you shall be placed on a "medical payroll". You will first receive benefits under Viacom's short-term disability program for the first 26 weeks of consecutive absence. Thereafter, you will be eligible to receive benefits under the LTD program in accordance with its terms. Upon receipt of benefits under the LTD program, you will also be entitled to receive a pro-rated Target Bonus for the calendar year in which such benefits commence.

8. Termination.

(a) Termination for Cause. Viacom may, at its option, terminate this Agreement forthwith for "cause", and Viacom shall thereafter have no further obligations under this Agreement, including, without limitation, any obligation to pay Salary or Bonus or provide benefits under this Agreement. For purposes of this Agreement, termination of this Agreement for "cause" shall mean termination for dishonesty, conviction of a felony, or willful unauthorized disclosure of confidential information, or if you at any time materially breach this Agreement (including, without limitation, your failure, neglect of or refusal to substantially perform your obligations hereunder as set forth in paragraphs 2 and 11 hereof) except in the event of your disability as set forth in paragraph 7. Anything herein to the contrary notwithstanding, Viacom will give you written notice prior to terminating this Agreement for your material breach setting forth the exact nature of any alleged breach and the conduct required to cure such breach. You shall have ten (10) business days from the giving of such notice within which to cure.

(b) Good Reason Termination. You may terminate your employment hereunder for "Good Reason" at any time during the Employment Term by written notice to Viacom not more than thirty (30) days after the occurrence of the event constituting "Good Reason". Such notice shall state an effective date no later than ten (10) business days after the date it is given. Good Reason shall mean, without your prior written consent, other than in connection with the termination of your employment for "cause" (as defined above) or in connection with your permanent disability, the

assignment to you by Viacom of duties substantially inconsistent with your positions, duties, responsibilities, titles or offices, the withdrawal of a material part of your responsibilities as set forth in paragraph 2, or the breach by Viacom of any of its material obligations hereunder.

(c) Termination Without Cause. Viacom may terminate your employment hereunder without "cause" (as defined above) at any time during the Employment Term by written notice to you.

(d) Termination Payments, Etc. In the event that your employment terminates pursuant to paragraph 8(b) or 8(c) hereof, you shall be entitled to receive, subject to applicable withholding taxes:

- (i) your Salary as provided in paragraph 3(a) until the end of the Employment Term, payable in accordance with Viacom's then effective payroll practices;
- (ii) bonus compensation for each calendar year during the Employment Term equal to your Target Bonus as set forth in paragraph 3(b);
- (iii) your car allowance as provided in paragraph 5 until the end of the Employment Term, payable in accordance with Viacom's then effective payroll practices;
- (iv) medical and dental insurance coverage under COBRA until the end of the Employment Term or, if earlier, the date on which you become eligible for medical and dental coverage from a third party employer; during this period, Viacom will pay an amount equal to the applicable COBRA premiums (or such other amounts as may be required by applicable law) (which amount will be included in your income for tax purposes to the extent required by applicable law); at the end of such period, you may elect to continue your medical and dental insurance coverage at your own expense for the balance, if any, of the period required by law;
- (v) life insurance coverage until the end of the Employment Term (the amount of Salary covered by such insurance to be reduced by the amount of any salary payable to you by a third party);
- (vi) the following with respect to grants to you under Viacom's 1989 and 1994 Long-Term Management Incentive Plans and any successor plans (collectively, the "LTMIP"):
  - (x) stock options granted to you under the LTMIP which are exercisable on or prior to the date of the termination of your employment under paragraph 8(b) or 8(c) or that would have vested and become exercisable on or before the last day of the Employment Term will be exercisable until six (6) months after the date of such termination or, if earlier, the expiration date of the stock options; and

- (y) payments on the phantom shares granted to you under the LTMIP in 1989 will be calculated in the manner and made at such times as provided in the LTMIP; and
- (vii) payments on any performance shares granted to you under the Divisional Long-Term Incentive Plan ("Divisional LTIP") will be calculated in the manner provided in the Divisional LTIP for employees terminating their employment on the last day of the Employment Term; such payments will be made at such times as payments under the Divisional LTIP would otherwise be made;

provided, however, you shall be required to mitigate the amount of any payment provided for in (i), (ii) and (iii) of this paragraph 8(d) by seeking other employment or otherwise, and the amount of any such payment provided for in (i), (ii) and (iii) shall be reduced by any compensation earned by you from a third person except that mitigation shall not be required for eighteen (18) months after the termination of your employment or for the period commencing with the termination of your employment and ending on the last day of the Employment Term, whichever is shorter. The payments provided for in (i) above are in lieu of any severance or income continuation or protection under any Viacom plan that may now or hereafter exist. The payments and benefits to be provided pursuant to this paragraph 8(d) shall constitute liquidated damages, and shall be deemed to satisfy and be in full and final settlement of all obligations of Viacom to you under this Agreement.

(e) Termination of Benefits. Notwithstanding anything in this Agreement to the contrary (except as otherwise provided in paragraph 8(d) with respect to medical, dental and life insurance), coverage under all Viacom benefit plans and programs (including, without limitation, vacation, 401(k) and excess 401(k) plans,

pension and excess pension plans, LTD, car insurance and accidental death and dismemberment and business travel and accident insurance) will terminate upon the termination of your employment except to the extent otherwise expressly provided in such plans or programs.

(f) Non-Renewal Notice, Etc. Viacom shall give you notice in writing in the event that Viacom elects not to extend or renew this Agreement. If Viacom gives you such notice less than twelve (12) months before the end of the Employment Term, or your employment terminates pursuant to paragraph 8(b) or 8(c) hereof during the final twelve (12) months of the Employment Term, you shall be entitled to receive Salary as provided in paragraph 3(a), payable in accordance with Viacom's then effective payroll practices, subject to applicable withholding requirements, for the period commencing after the end of the Employment Term which, when added to the portion of the Employment Term remaining when the notice is given or the termination occurs, equals twelve (12) months; provided, however, you shall be required to mitigate the amount of any payment pursuant to this paragraph 8(f) by seeking other employment or otherwise, and the amount of any such payment shall be reduced by any compensation earned by you from a third person. The payments provided for in this paragraph 8(f) are in lieu of any severance or income continuation or protection under any Viacom plan that may now or hereafter exist.

9. Death. If you die prior to the end of the Employment Term, your beneficiary or estate shall be entitled to receive your Salary up to the date on which the death occurs and a pro-rated Target Bonus.

10. Section 317 and 508 of the Federal Communications Act. You represent that you have not accepted or given nor will you accept or give, directly or indirectly, any money, services or other valuable consideration from or to anyone other than Viacom for the inclusion of any matter as part of any film, television program or other production produced, distributed and/or developed by Viacom and/or any of its affiliates.



11. Equal Opportunity Employer. You acknowledge that Viacom is an equal opportunity employer. You agree that you will comply with Viacom policies and applicable federal, state, and local laws prohibiting discrimination on the basis of race, color, creed, national origin, age, sex or disability.

12. Notices. All notices required to be given hereunder shall be given in writing, by personal delivery or by mail at the respective addresses of the parties hereto set forth above, or at such other address as may be designated in writing by either party, and in the case of Viacom, to the attention of the General Counsel of Viacom.

Any notice given by mail shall be deemed to have been given three days following such mailing.

13. Assignment. This is an Agreement for the performance of personal services by you and may not be assigned by you or Viacom except that Viacom may assign this Agreement to any affiliate of or any successor in interest to Viacom.

14. New York Law, Etc. This Agreement and all matters or issues collateral thereto shall be governed by the laws of the State of New York applicable to contracts entered into and performed entirely therein.

15. No Implied Contract. Nothing contained in this Agreement shall be construed to impose any obligation on Viacom to renew this Agreement or any portion thereof. The parties intend to be bound only upon execution of a written agreement and no negotiation, exchange of draft or partial performance shall be deemed to imply an agreement. Neither the continuation of employment nor any other conduct shall be deemed to imply a continuing agreement upon the expiration of this Agreement.

16. Entire Understanding. This Agreement contains the entire understanding of the parties hereto relating to the subject matter herein contained, and can be changed only by a writing signed by both parties hereto.

17. Void Provisions. If any provision of this Agreement, as applied to either party or to any circumstances, shall be adjudged by a court to be void or unenforceable, the same shall be deemed stricken from this Agreement and shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement.

18. Supersedes Previous Agreement. This Agreement supersedes and cancels all prior agreements relating to your employment by Viacom or any of its affiliates.

If the foregoing correctly sets forth our understanding, please sign one copy of this letter and return it to the undersigned, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

VIACOM INC.

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

-----  
Name: Frank J. Biondi, Jr.  
Title: President, Chief  
Executive Officer

ACCEPTED AND AGREED:

/S/ Edward D. Horowitz

-----  
Edward D. Horowitz

As of July 1, 1994

Edward D. Horowitz  
105 Lawrence Drive  
Short Hills, New Jersey 07078

Dear Mr. Horowitz:

Viacom Inc. ("Viacom") and you have entered into an employment agreement on the date hereof (the "Agreement"). All defined terms used herein without definition shall have the meanings set forth in the Agreement.

The Agreement provides that, in the event that you terminate your employment for Good Reason or Viacom terminates your employment without "cause", stock options granted to you under the LTMIP that have vested on the termination date or would have vested by the end of the Employment Term will be exercisable for six (6) months after the termination date. In order for these provisions to be effective, the LTMIP must be amended by the Viacom Board of Directors and the amendments approved by the Viacom stockholders at the 1995 Annual Stockholders Meeting.

In the event that the amendments to the LTMIP are not adopted or your employment terminates before these amendments become effective, Viacom and you agree that clause (vi) of paragraph 8(d) of the Agreement shall read as follows:

- "(vi) the following with respect to grants to you under Viacom's 1989 and 1994 Long-Term Management Incentive Plans and any successor plans (collectively, the "LTMIP"):
- (x) stock options granted to you under the LTMIP which become exercisable on or prior to the date of the termination of your employment under paragraph 8(b) or 8(c) must be exercised within three (3) months of such termination; and
- (y) stock options granted to you under the LTMIP which are not exercisable on or prior to the date of the termination of your employment under paragraph 8(b) or 8(c) but that would have vested on or before the last day of the Employment Term, (1) may, at the sole determination of the Compensation Committee of the Viacom Board of Directors, become immediately exercisable and then may be exercised in accordance with the terms of the LTMIP or (2) shall be canceled and in lieu thereof you shall be deemed to have been granted stock appreciation rights ("SARs") subject to the same terms and conditions as the canceled stock options. Such SARs shall be deemed to vest on the dates set forth in the LTMIP until the last day of the Employment Term, you may exercise such SARs by written notice to Viacom until three (3) months after the last day of the Employment Term and you

shall receive the difference between the exercise price and the value of Viacom stock as of the date of exercise, as such value is determined in the LTMIP, payable within ten (10) business days of such exercise; and

(z) payments on the phantom shares granted to you under the LTMIP in 1989 will be calculated in the manner and made at such times as provided in the LTMIP; and"

Very truly yours,

VIACOM INC.

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

-----  
Name: Frank J. Biondi, Jr.  
Title: President, Chief  
Executive Officer

ACCEPTED AND AGREED:

/S/ Edward D. Horowitz

-----  
Edward D. Horowitz

As of April 1, 1994

Philippe P. Dauman, Esq.  
655 Park Avenue  
New York, New York 10021

Dear Mr. Dauman:

Reference is made to that certain employment agreement between you and Viacom International Inc. ("Viacom"), dated as of February 1, 1993 (the "Employment Agreement").

This letter, when fully executed below, shall amend your Employment Agreement as follows:

1. Assignment. Viacom International Inc. hereby assigns all of its rights and obligations under the Employment Agreement to Viacom Inc., and you accept such assignment. All references to Viacom in the Employment Agreement and this amendment shall be deemed to refer to Viacom Inc.

2. Term. Section 1 shall be amended to read in its entirety as follows:

"The term of your employment hereunder shall commence on February 1, 1993 and, unless terminated by Viacom or you pursuant to Section 8 hereof, shall continue through and until August 1, 1999 (the "Employment Term")."

3. Duties. Section 2 shall be amended to change the title appearing in two places in the second sentence from "Senior Vice President, General Counsel and Secretary" to "Executive Vice President, General Counsel and Chief Administrative Officer and Secretary".

4. Compensation/Salary. Section 3(a) shall be amended to replace the second sentence with the following sentences:

"On April 1, 1994, your Salary will be increased to Eight Hundred Thousand Dollars (\$800,000) per annum. Your Salary will be reviewed and increased by a minimum of 10% on each of April 1, 1995 and April 1, 1996. On April 1, 1997, your

Salary will be reviewed and increased to no less than One Million Dollars (\$1,000,000) per annum (and may be reviewed and increased thereafter) for the remainder of the Employment Term."

5. Compensation/Bonus Compensation. Section 3(b) shall be amended as follows:

(1) Clause (ii) shall be amended to read in its entirety as follows:

"Your Target Bonus for calendar year 1993 shall be 100% of your Salary on November 1, 1993. Your Target Bonus for each of calendar years 1994, 1995 and 1996 shall be 150% of your Salary on November 1st of such calendar year. Your Target Bonus for each of calendar years 1997, 1998 and 1999 shall be 180% of your Salary on November 1st of such calendar year (or August 1st in the case of 1999). Your Target Bonus may be pro-rated for 1999."

(2) Clause (iii) shall be amended to replace the date "January 31" with "February 28".

6. Benefits. Section 4 shall be amended to add the following clause (c):

"Viacom shall provide you with no less than Three Million Dollars (\$3,000,000) of life insurance during the Employment Term."

7. Termination. Section 8(b) shall be amended as follows:

(1) Clause (iii) shall be amended to replace the number "three (3)" in subclause (x) with the number "six (6)" and to replace clause (y) in its entirety with the following:

"Stock options granted to you under the LTMIP which are not exercisable on or prior to the date of the termination of your employment under this Section 8(b) that would have vested and become exercisable on or before the last day of the Employment Term will be exercisable until six (6) months after the date of such termination or, if earlier, the expiration of the stock options."

(2) The second to the last sentence shall be amended to read as follows:

"Viacom shall also provide you with the life insurance coverage set forth in Section 4(c) until the end of the Employment Term."

Except as herein amended all other terms and conditions of the Employment Agreement shall remain the same and the Employment Agreement as herein amended shall remain in full force and effect.

If the foregoing correctly sets forth our understanding, please sign one (1) copy of this letter and return to the undersigned whereupon this letter shall constitute a binding amendment to your Employment Agreement.

Very truly yours,

VIACOM INTERNATIONAL INC.

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

-----  
Name: Frank J. Biondi, Jr.  
Title: President,  
Chief Executive  
Officer

VIACOM INC.

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

-----  
Name: Frank J. Biondi, Jr.  
Title: President,  
Chief Executive  
Officer

ACCEPTED AND AGREED:

/s/ Philippe P. Dauman

-----  
Philippe P. Dauman

As of April 1, 1994

Philippe P. Dauman, Esq.  
655 Park Avenue  
New York, New York 10021

Dear Mr. Dauman:

Viacom Inc. ("Viacom") and you have entered into an amendment dated as of the date hereof (the "Amendment Agreement") to your Employment Agreement dated as of February 1, 1993 (as amended, the "Employment Agreement"). All defined terms used herein without definition shall have the meanings set forth in the Agreement.

The Employment Agreement provides that, in the event that your employment terminates under Section 8(b), stock options granted to you under the LTMIP that have vested on the termination date or would have vested by the end of the Employment Term will be exercisable for six (6) months after the termination date. In order for these provisions to be effective, the LTMIP must be amended by the Viacom Board of Directors and the amendments approved by the Viacom stockholders at the 1995 Annual Stockholders Meeting.

In the event that the amendments to the LTMIP are not adopted or your employment terminates before these amendments become effective, Viacom and you agree that the amendment to clause (iii) of Section 8(b) of the Employment Agreement shall not be made and said clause (iii) shall remain unchanged.

Very truly yours,

VIACOM INC.

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

-----  
Name: Frank J. Biondi, Jr.  
Title: President, Chief  
Executive Officer

ACCEPTED AND AGREED:

/S/ Philippe P. Dauman

-----  
Philippe P. Dauman

As of March 1, 1994

George S. Abrams  
22 Bernard Lane  
Waban, MA 02168

Dear Mr. Abrams:

Viacom Inc. ("Viacom") desires that you perform certain services for Viacom as provided for in this Agreement upon the following terms and conditions:

1. Term.

The term of this Agreement commences on March 1, 1994 and, shall continue unless terminated by Viacom or you pursuant to Section 5 hereof.

2. Duties and Responsibilities.

You shall provide advice to Viacom respecting legal and governmental relations matters or such other matters as Viacom through its Executive Vice President, General Counsel and Chief Administrative Officer may request (the "Services") on a non-exclusive basis. You shall devote the appropriate portion of your time to perform the Services; however, nothing herein shall prevent you from fulfilling any of your obligations as a director of Viacom, Viacom International Inc. or Paramount Communications Inc. or engaging in other businesses and activities that are not in violation of your obligations hereunder. You shall inform Viacom promptly of any conditions or limitations which will or might affect your performance of the services contemplated hereunder, including legal, ethical and personal conflicts; however, your failure to comply with these provisions shall not relieve you of any of your duties, liabilities or obligations hereunder.

3. Independent Contractor.

In performing the Services, you shall be an independent contractor and not an employee. You shall comply with instructions from Viacom concerning the nature and objective of the Services, but you have the discretion to determine the manner and precise timing of your performance of the Services. Except as specifically authorized by Viacom, during performance of the Services you do not have the authority to contractually bind Viacom and you are not Viacom's agent.

4. Compensation.

For all Services rendered by you in any capacity hereunder, Viacom agrees to pay you the sum of ten thousand dollars (\$10,000) monthly in the manner set forth herein, in addition to reimbursement by Viacom for reasonable travel and other expenses incurred in the performance of the Services.

Viacom shall issue you a check in the amount of ten thousand dollars (\$10,000) on the 10th day of the month following each month during which you perform the Services (other than for March, 1994, the fee for which will be paid by check promptly upon your execution of this Agreement). Additionally, a check will be issued to you for reimbursement of expenses reasonably incurred in conjunction with the Services upon submission of an invoice adequately describing the expenses paid by you. Each such invoice shall be accompanied and supported by satisfactory evidence of the reimbursable expenses listed thereon. Payment to you of each monthly amount shall constitute full and sufficient compensation for the Services. Payment of any invoice for expenses shall not prejudice Viacom's right to dispute the accuracy thereof.

You shall retain all related accounting and other documentation for a period of 2 years after performance of the Services and expenses on each such invoice.

5. Termination.

Each of Viacom and you shall have the right to terminate this Agreement immediately upon written notice as provided in Section 7.

6. Assignment.

You shall not assign your rights or delegate your duties hereunder without the prior written consent of Viacom.

7. Notices.

All notices, invoices, changes of address, or other communication required or permitted to be given hereunder shall be deemed to have been duly given when personally delivered or when deposited in the U.S. mail, postage prepaid, as follows:

If to Viacom: Viacom International Inc.  
Executive Vice President, General  
Counsel and Chief Administrative Officer  
1515 Broadway  
New York, NY 10036

If to you, at your address as set forth above.

Notwithstanding the foregoing, if exigent circumstances exist, telephonic communication shall suffice if promptly followed by confirmation of such communication in the manner described above.

Either party may change its or his address for the purpose of this paragraph by written notice similarly given.

8. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the courts of New York State shall have exclusive jurisdiction over any matter arising under this Agreement.



9. Void Provisions.

If any provision of this Agreement, as applied to either party or to any circumstances, shall be adjudged by a court to be void or unenforceable, the same shall be deemed stricken from this Agreement and shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement.

10. Survival.

The provisions of Sections 4 and 8 shall survive any termination or expiration of this Agreement.

11. Entire Agreement.

The terms and provisions of this Agreement constitute the entire agreement between Viacom and you with respect to the Services and supersede all communications, representations or agreements, either verbal or written. This Agreement may not be modified, amended or supplemented, or extended except by written instrument executed by both Viacom and you.

If the foregoing correctly sets forth our understanding, please sign one copy of this letter and return it to the undersigned, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

VIACOM INC.

By: /s/ Philippe P. Dauman

-----  
Philippe P. Dauman  
Executive Vice  
President, General  
Counsel and Chief  
Administrative Officer

ACCEPTED AND AGREED:

/s/ George S. Abrams

-----  
George S. Abrams

ASSET PURCHASE AGREEMENT

Among

TELEVUE SYSTEMS, INC.,

VIACOM INTERNATIONAL INC.

INTERMEDIA PARTNERS IV, L.P.

and

RCS PACIFIC, L.P.

Dated as of January 20, 1995

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- C - Cable Division Subsidiaries
- D - Tax Affidavit Form
- E-1 - TeleVue Opinion
- E-2 - FCC Counsel Opinion
- F-1 - Buyer Opinion
- F-2 - Guarantor Opinion
- G - PVIT Bill of Sale
- H - Limited Partner Guaranty
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ASSET PURCHASE AGREEMENT

-----

This Asset Purchase Agreement is made and entered into as of this 20th day of January, 1995 by and among TeleVue Systems, Inc., a Washington corporation ("TeleVue"), Viacom International Inc., a Delaware corporation ("Viacom"), InterMedia PartnersIV, L.P., a California limited partnership ("InterMedia"),

and RCS Pacific, L.P., a California limited partnership ("Buyer").

WHEREAS, TeleVue is a whollyowned subsidiary of Viacom; and

WHEREAS, InterMedia owns a substantial beneficial interest in Buyer; and

WHEREAS, in order to induce Buyer to enter into this Agreement, Viacom is agreeing to cause TeleVue to pay and perform all TeleVue's obligations under this Agreement; and

WHEREAS, in order to induce TeleVue to enter into this Agreement, InterMedia is agreeing to cause Buyer to pay and perform all Buyer's obligations under this Agreement; and

WHEREAS, TeleVue and the other Cable Division Subsidiaries are engaged in the business of operating those cable television systems listed on Exhibit A hereto; and

WHEREAS, all the Cable Division Subsidiaries other than TeleVue are direct or indirect whollyowned Subsidiaries of TeleVue; and

WHEREAS, except for the Excluded Assets, the Acquired Assets and the PVIT Assets constitute all material operating assets of Viacom and its Subsidiaries used primarily in the Cable Television Business of Viacom and its Subsidiaries; and

WHEREAS, TeleVue desires to sell, and Buyer desires to purchase, the assets (other than the Excluded Assets) relating to the Systems, on the terms herein set forth;

NOW, THEREFORE, in consideration of the mutual promises, covenants and other agreements contained herein, the parties hereby agree as follows:

#### ARTICLE I

#### DEFINITIONS

Section 1.1 Definitions. The following terms, as used in this Agreement, shall have the following meanings:

"Accounts Payable" shall mean the book value of all accounts payable of the Cable Group relating to the conduct of the Business calculated as of the Closing in accordance with GAAP on a basis consistent with the application of such principles in the preparation of the Financial Statements.

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"Accounts Receivable, Net" shall mean the book value of all accounts receivable of the Cable Group relating to the conduct of the Business, net of the allowance for doubtful accounts and advance billings (other than deferred customer revenue and accounts receivable relating to payments of principal due from the Telecom Partnership referred to in clause (ii) of the definition of Telecom Capital Expenditure Amount), in each case calculated as of the Closing in accordance with GAAP on a basis consistent with the application of such principles in the preparation of the Financial Statements.

"Acquired Assets" shall have the meaning set out in Section 2.1.

"Acquired Employees" shall have the meaning set out in Section 8.8(a).

"Adjusted Closing Date Basic Subscribers" shall have the meaning set out in the definition of "Under Base Subscriber Number Retained Subscribers."

"Adjustment Amounts" shall have the meaning set out in Section 4.2(a).

"Affiliate" of any Person shall mean any other Person directly or indirectly controlling, controlled by or under common control with such Person.

"Agents" shall have the meaning set out in Section 7.3.

"Aggregate Cumulative Adjusted Capital Expenditures" shall mean the aggregate Cumulative Adjusted Capital Expenditures for all Retained Franchise Areas for the period from the Closing Date to the date of determination, subject to reduction as provided in Section 2.4(a)(ii).

"Aggregate Cumulative Deemed Net Cash Flow" shall mean the aggregate Cumulative Deemed Net Cash Flow for all Retained Franchise Areas for the period from the Closing Date to the date of determination, subject to reduction as provided in Section 2.4(a)(ii).

"Agreement" shall mean this Asset Purchase Agreement, including the Exhibits and Schedules hereto.

"Antitrust Laws" shall have the meaning set out in Section 8.2(b).

"Approved Capital Expenditure Plan" shall mean the capital expenditure plan for the Cable Group, by System, which identifies Covered Capital Expenditures and Line Extension and Other Capital Expenditures, attached as ExhibitB hereto.

"Arbitrating Firm" shall mean a "big six" independent public accounting firm (other than KPMG Peat Marwick LLP and Price Waterhouse& Co. LLP and their respective successors) selected by agreement of the Buyer and TeleVue or, if they cannot agree, chosen by lot from among the aforesaid firms.

"Assumed Contracts" shall have the meaning set out in Section 2.1(g).

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"Assumed Liabilities" shall have the meaning set out in Section3.1.

"Average Market Price" shall mean, with respect to a TCI Stock, the average of the last reported sale price (or, if no sale price is reported on any day, the average of the high and low bid prices on such day) of a share of such TCI Stock on the National Association of Securities Dealers, Inc. Automated Quotation System on each trading day during the period commencing on the twentyfifth trading day prior to the Closing and ending on the fifth trading day prior to the Closing.

"AVR Partnership" shall have the meaning set out in the definition of Telecom Partnership Agreements.

"Balance Sheet Date" shall mean September30, 1994.

"Banked Sick Leave Days" shall have the meaning set out in Section 8.8(f).

"Base Price" shall have the meaning set out in Section 4.1(a)(1).

"Base Subscriber Number" shall mean a number equal to 1,134,000 or such other number as may be fixed pursuant to Section 4.1(d)(i)(B).

"Basic Subscriber" shall mean the sum of the following amounts for all Franchise Areas:

(a) with respect to a Franchise Area, the number of all private residential customer accounts (regardless of whether in a singlefamily home or in an individually billed unit in a multipleunit building) who are receiving basic cable television service at the Basic Subscriber Rate (but excluding "complimentary subscribers," "second connects" and "additional outlets" as such terms are customarily used in the cable television industry); plus

(b) with respect to a Franchise Area, the number of private and residential customer accounts (regardless of whether in a singlefamily home or in an individually billed unit in a multiple unit building) who are receiving basic cable television service at a discount to the Basic Subscriber Rate because the account is or was to the knowledge of TeleVue a "low income" and/or "senior citizen" account in accordance with TeleVue's policy as of the date of this Agreement, determined as the quotient of the total monthly basic service revenue derived from these customers as of the date of determination thereof (excluding any charges for taxes or nonrecurring items (including, without limitation, nonrecurring charges for installation, equipment, any outlet or connection or a passthrough charge for sales taxes, lineitemized franchise fees and charges)) divided by the Basic Subscriber Rate; plus

(c) with respect to a Franchise Area, without duplication of clauses (a) and (b) above, the number of commercial and bulk billed accounts (including, without limitation, hotels, motels, apartment houses and multifamily homes) that receive basic cable television service, determined

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as the quotient of the monthly basic service revenue derived from the commercial and bulk billed accounts as of the date of determination thereof (excluding any charges for taxes or nonrecurring items (including, without limitation, nonrecurring charges for installation, equipment, any outlet or connection or a passthrough charge for sales taxes, lineitemized franchise fees and charges)) divided by the Basic Subscriber Rate.

"Basic Subscriber Rate" shall mean for each Franchise Area, the monthly fees and charges for the provision of the "basic service" (as such term is customarily used in the cable television industry and regardless of whether customers taking basic service take any other tier of regulated or unregulated service (excluding (i)any charges for installation fees and revenues derived from the rental of converters, remote control devices and other like charges for equipment and (ii)any charges for taxes or nonrecurring items (including, without limitation, nonrecurring charges for installation, equipment, any outlet or connection or a passthrough charge for sales taxes, lineitemized franchise fees and charges))) charged to customers served by the Franchise Area, as of the date of determination.

"Benefit Plans" shall have the meaning set out in Section 5.16(c)(i).

"Business" shall mean the businesses of the Systems taken as a whole.

"Business Day" shall mean a day other than a Saturday, Sunday or other day on which banks in New York City or San Francisco are required to or may be closed.

"Buyer" shall mean RCS Pacific, L.P., a California limited partnership.

"Buyer's Welfare Plans" shall have the meaning set out in Section 8.8(h).

"Cable Division Subsidiaries" or "Cable Group" shall mean (i) TeleVue and (ii) the other Persons set out on Exhibit C hereto, for so long as they exist.

"Cable Group's Welfare Plan" shall have the meaning set out in Section 8.8(h).

"Cable Television Business" shall mean the business of owning and operating a coaxial or fiber optic cable television signal distribution system.

"Capital Expenditure Amount" shall mean (i)the aggregate amount of all Covered Capital Expenditures plus (ii)the aggregate amount of the Covered Line Extension and Other Capital Expenditures plus (iii)without duplication of clauses (i) and (ii) above, the aggregate amount of all capital expenditures



made by the Cable Group during the period from the date of this Agreement through the Closing Date at the request of, or with the express written consent of (whether prior to or after the date of this Agreement), Buyer minus (iv) the aggregate amount of all Covered Capital Expenditures and all Covered Line Extension and Other Capital Expenditures relating to Right of First Refusal Franchise Areas and Retained Franchise Areas ("Deducted Covered Capital Expenditures").

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"CERCLA" shall have the meaning set out in Section 5.19.

"Closing" shall have the meaning set out in Section 12.1.

"Closing Date" shall have the meaning set out in Section 12.1.

"Closing Date Basic Subscribers" shall mean the average number of Basic Subscribers for the nine (9) consecutive Thursdays (or such other day used by TeleVue for accounts receivable cutoffs) ending on or immediately prior to the Closing Date, calculated by summing the number of Basic Subscribers as of each such Thursday (or such other day) and dividing such sum by nine (9), without, for these purposes, giving effect to the loss, if any, of Basic Subscribers as a result of a Disaster (defined for these purposes without regard to the number of Basic Subscribers affected). "Closing Inventory Amount" shall mean the book value of all Inventory calculated as of the Closing in accordance with GAAP on a basis consistent with the application of such principles in the preparation of the Financial Statements multiplied by a fraction: (i) the numerator of which is equal to the aggregate book value of all Inventory consumed during the two-month period ending on the last day of the monthly accounting period ending prior to the Closing Date to the extent such Inventory was consumed in connection with the Covered Capital Expenditures, Covered Line Extension and Other Capital Expenditures, the Telecom Capital Expenditures Amount or capital expenditures made by the Cable Group at the request of, or with the express written consent of, Buyer and (ii) the denominator of which is equal to the aggregate book value of all Inventory consumed during such two-month period.

"Closing Working Capital" shall mean an amount equal to (a) Accounts Receivable, Net, plus the amount of Prepaid Expenses, plus the amount of Transferred Cash Balances plus the amount of deposits of any Cable Division Subsidiary held by others to secure performance of an Assumed Liability by any Cable Division Subsidiary, minus (b) the amount of Accounts Payable plus the amount of Other Current Liabilities, all computed as of the Closing Date.

"COBRA" shall have the meaning set out in Section 8.8(h).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Communications Act" shall mean the Communications Act of 1934 including the Cable Communications Policy Act of 1984, and the Cable Television Consumer Protection and Competition Act of 1992, each as amended, and all rules and regulations promulgated thereunder, as amended (the "Rules and Regulations").

"Consented Subscribers" shall mean the number of Basic Subscribers as of a date within ten days prior to the Closing Date residing:

(a) in those Franchise Areas for which Local Authority Consents have been obtained on or before such date and in respect of which the ordinances, resolutions or other appropriate governmental actions

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evidencing the grant of such Local Authority Consents shall not have imposed any material adverse change in the terms of the relevant Local

Authorization, except for such material adverse changes as Buyer shall have expressly accepted or as otherwise agreed to by Buyer; and

(b) in those Franchise Areas for which a Local Authority Consent is not required for the consummation of the Transaction.

"Copyright Act" shall mean Title 17 of the United States Code, as amended, and all rules and regulations promulgated thereunder, as amended.

"Covered Capital Expenditures" shall mean the sum of (i) the aggregate amount of all capital expenditures made by the Cable Group during the period from January 1, 1995 through the Closing Date relating to (a) upgrades and rebuilds and associated items (including, without limitation, headend sites and headend equipment to expand channel capacity, but excluding costs of repairing damage caused by a Disaster that would not have been incurred if such Disaster had not occurred) and (b) converter changeouts (including the purchase of converters for such purpose), (ii) without duplication of clause (i) above, any capital expenditure identified as a Covered Capital Expenditure in the Approved Capital Expenditure Plan and (iii) a reasonable allocation of construction overhead (other than capitalized interest) for such period related to such upgrades and rebuilds (other than with respect to repairing damage caused by a Disaster).

"Covered Line Extension and Other Capital Expenditures" shall mean the sum of (i) the aggregate amount of all Line Extension and Other Capital Expenditures made by the Cable Group during the period from the first date after the date of this Agreement on which the number of Basic Subscribers is not less than the Base Subscriber Number through the Closing Date plus (ii) a reasonable allocation of construction overhead (other than capitalized interest) for such period related to such Line Extension and Other Capital Expenditures. "Cumulative Adjusted Capital Expenditures" shall mean with respect to any Retained Franchise Area, cumulative Monthly Adjusted Capital Expenditures for such Retained Franchise Area for the period from the Closing Date to the date of determination, subject to reduction as provided in Section 2.4(a)(ii).

"Cumulative Deemed Net Cash Flow" shall mean, with respect to any Retained Franchise Area, cumulative Monthly Deemed Net Cash Flow for such Retained Franchise Area for the period from the Closing Date to the date of determination, subject to reduction as provided in Section 2.4(a)(ii).

"Dayton Guarantor" shall have the meaning set out in Section 14.4(B).

"Dayton Third Party" shall have the meaning set out in Section 14.4(B).

"Deducted Covered Capital Expenditures" shall have the meaning set out in the definition of "Capital Expenditure Amount."

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"Deferred Closing Date" shall have the meaning set out in Sections 4.1(d)(ii) or 4.1(e), as the context requires.

"Deferred Purchase Price" shall have the meaning set out in Section 12.2(b)(i).

"Direct Partners" shall have the meaning set out in Section 14.14(c).

"Disaster" shall have the meaning set out in Section 4.1(b).

"Dispute Notice" shall have the meaning set out in Section 4.2(d).

"Disqualified Person" shall have the meaning set out in Section 7.10.

"Distribution" shall have the meaning set out in Section 14.14(d).

"DOJ" shall mean the United States Department of Justice.

"Eastern System Closing Date Basic Subscribers" shall mean the aggregate number of Closing Date Basic Subscribers less the number of West Coast Closing Date Basic Subscribers.

"Eastern System Closing Date Subscriber Target" shall mean 133,749 or such other number as may be fixed pursuant to Section 4.1(d)(i)(E).

"Eastern System Right of First Refusal Subscribers" shall have the meaning set out in Section 4.1(d)(i)(E).

"Employees" shall mean all employees of the Cable Group with respect to the Systems at the relevant time.

"Equipment" shall have the meaning set out in Section 2.1(e).

"ERISA" shall have the meaning set out in Section 5.16(c).

"ERISA Affiliates" shall have the meaning set out in Section 8.8(b).

"Estimated Adjustment Amounts" shall have the meaning set out in Section 4.2(a).

"Estimated Capital Expenditure Amount" shall have the meaning set out in Section 4.2(a).

"Estimated Closing Date Basic Subscribers" shall have the meaning set out in Section 4.2(a).

"Estimated Closing Inventory Amount" shall have the meaning set out in Section 4.2(a).

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"Estimated Closing Working Capital" shall have the meaning set out in Section 4.2(a).

"Estimated Lost Service Subscriber Reduction Amount" shall have the meaning set out in Section 4.2(a).

"Estimated Purchase Price" shall have the meaning set out in Section 4.2(b).

"Estimated Retained Franchise Reduction Amount" shall have the meaning set out in Section 4.2(a).

"Estimated Right of First Refusal Adjustments" shall have the meaning set out in Section 4.2(a).

"Estimated Subscriber Shortfall Amount" shall have the meaning set out in Section 4.2(a).

"Estimated Telecom Amount" shall have the meaning set out in Section 4.2(a).

"Excess Payment" shall have the meaning set out in Section 4.1(f).

"Excluded Assets" shall have the meaning set out in Section 2.2.

"FCC" shall mean the Federal Communications Commission.

"FCC Authorizations" shall mean all authorizations, approvals, certifications, franchises, licenses and permits of the FCC granted to the Cable Group with respect to the Systems.

"FCC Certificate" shall mean one or more certificates from the FCC described in Section 1071 of the Code with respect to the sale of all the

Acquired Assets and any Retained Assets and any Right of First Refusal Assets pursuant to this Agreement to Buyer (including, without limitation, any Acquired Assets, Retained Assets and Right of First Refusal Assets which are the subject of an assignment pursuant to Section 14.4).

"Final Certificate" shall have the meaning set out in Section 4.2(c).

"Financial Statements" shall have the meaning set out in Section 5.7.

"First Pledge Agreement" shall mean a Pledge Agreement of the Guarantor executed and delivered by the Guarantor pursuant to the First Limited Partner Guaranty, in the form of Exhibit I hereto.

"Fixed Price" shall mean an amount equal to \$2,227,800,000 or such other amount as may be fixed pursuant to Section 4.1(d)(i)(A).

"Franchise Areas" shall mean the areas in which the Cable Group is authorized to provide cable television service under the Local Authorizations

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and the areas served by any System in which the Cable Group provides cable television service without a Local Authorization.

"FTC" shall mean the Federal Trade Commission.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" shall mean any federal, state, municipal or local governmental authority or political subdivision thereof.

"Guarantor" shall mean TeleCommunications, Inc., a Delaware corporation.

"Hazardous Materials" shall have the meaning set out in Section 5.19.

"Homes Passed" shall mean the sum of (a)each single family residence in the Franchise Areas, and (b)each townhouse, condominium or dwelling unit which is part of a building containing multiple dwelling units in the Franchise Areas, but excluding single family residences and units in multiple dwelling unit buildings which (i)are located more than 150 feet from an activated trunk or feeder cable of a System, (ii)require an underground service stub in order to be connected to activated trunk or feeder cable of a System or (iii)are located in multiple dwelling unit buildings to which a System does not have a right of access.

"HSR Act" shall mean the HartScottRodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder, as amended.

"Indemnified Party" shall have the meaning set out in Section 13.2(a).

"Indemnifying Party" shall have the meaning set out in Section 13.2(a).

"Indirect Partners" shall have the meaning set out in Section 14.14(c).

"Intangible Assets" shall have the meaning set out in Section 2.1(h).

"InterMedia" shall mean InterMedia PartnersIV, L.P., a California limited partnership.

"InterMedia Nashville" shall have the meaning set out in Section 14.4(A).

"Inventory" shall have the meaning set out in Section 2.1(b).

"IRS" shall mean the Internal Revenue Service.

"Leased Real Property" shall mean leasehold interests of the Cable Group in the real property used in connection with any System.

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"Legal Requirement" shall mean the requirements of any law, ordinance, statute, rule, regulation, code, order, judgment, decree, injunction, franchise, determination, approval, permit, license, authorization or other requirement of any Governmental Authority.

"LIBOR Rate" shall mean a per annum fluctuating rate of interest equal to the sum of (i) the London Interbank Offered Rate for one month published as such from time to time in the Money Rates column of The Wall Street Journal (Eastern Edition) (or, if the Wall Street Journal (Eastern Edition) is not published or if such rate is for any other reason unavailable on any relevant date, the highest offered rate for deposits in U.S. Dollars for the one month period which appears on the Reuters Screen London Interbank Offered Rates Page at approximately 11:00 a.m. (London time) on the relevant date) plus (ii) 1 1/4 percentage points. For all purposes of this Agreement, interest at the LIBOR Rate shall be calculated on the basis of the actual number of days elapsed in the relevant period over a year of 360 days, as applicable.

"Lien" shall mean, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Limited Partner Guaranty" shall mean the Guaranty of Guarantor dated the date hereof and executed and delivered by Guarantor contemporaneously with the execution and delivery of this Agreement, in the form of Exhibit H hereto.

"Line Extension and Other Capital Expenditures" shall mean any capital expenditure made after the date of this Agreement (calculated on a basis consistent with the Cable Group's policies prior to the Closing) for (i) extension of trunk and feeder cable within the Franchise Areas to serve new commercial accounts, new residential developments and/or additional residential dwelling units, thereby adding new Homes Passed, (ii) initial connections from trunk and feeder cable in the Franchise Areas to any single family residence, townhouse, condominium or dwelling unit which is part of a building containing multiple dwelling units or to any potential commercial or bulkbilled account which relate to extensions covered in clause (i) above, (iii) the purchase of converters (but without duplication of the amounts included in Covered Capital Expenditures pursuant to clause (i) (b) of the definition thereof) and (iv) without duplication of clauses (i), (ii) and (iii) above, any capital expenditure identified as a Line Extension Capital Expenditure in the Approved Capital Expenditure Plan.

"Local Authority" shall mean any Governmental Authority having jurisdiction to grant a cable television franchise with respect to all or a portion of any System.

"Local Authorizations" shall mean all authorizations, approvals, franchises, licenses and permits of Local Authorities granted to the Cable Group which permit the operation of the Systems as amended, modified or supplemented.

"Local Authority Consent" shall mean the consent of a Local Authority to the transfer of a Local Authorization to Buyer in connection with the Transaction.

"Losses" shall mean losses, liabilities, claims and reasonable expenses of defense thereof (including, without limitation, expenses of investigation,

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defense and fees and disbursements of counsel, but excluding compensation paid

to employees of the relevant Indemnified Party or its Affiliates), and Liens or other obligations of any nature whatsoever, other than Losses to the extent recoverable by the relevant Indemnified Party under any applicable insurance policy and net of the present value (using Buyer's weighted average cost of borrowing as of the date of calculation of any such benefit) of any tax benefit to the relevant Indemnified Party as a result of such Losses.

"Lost Service Subscriber Reduction Amount" shall mean either zero or, if applicable, the amount determined pursuant to Section 4.1(b)(i).

"Lost Service Subscribers" shall have the meaning set out in Section 4.1(b)(i).

"Material Adverse Effect" shall mean a material adverse effect on the business, financial condition or results of operations of the Business or any System, except for:

(a) changes resulting from general economic, financial or market conditions;

(b) changes in, or changes required in order to comply with, applicable legislation or regulations affecting U.S. cable television operators generally, including but not limited to any adjustment in subscriber rates implemented in a manner consistent with the rate regulations promulgated by the FCC under the Cable Television Consumer Protection and Competition Act of 1992 and the rules and regulations promulgated thereunder from time to time; and

(c) changes resulting from technological changes generally applicable to the cable television industry.

"Material Contract" shall mean any contract of the Cable Group that (i) is material to the Business or any System or (ii) requires aggregate payments by a party thereto in excess of \$500,000. Material Contract shall not include any Local Authorization or FCC Authorization.

"Monthly Adjusted Capital Expenditures" shall mean, with respect to any Retained Franchise Area, during any month (or portion thereof), capital expenditures (calculated on a basis consistent with the Cable Group's policies prior to the Closing including without limitation a reasonable allocation of construction overhead) made during such month (or portion thereof), plus interest on such amount at the Prime Rate for the period from the end of such month to the Deferred Closing Date for such Retained Franchise Area, or, if earlier, the date TeleVue is reimbursed therefor pursuant to Section 2.4(a)(ii), compounded quarterly.

"Monthly Deemed Net Cash Flow" shall mean, during any month (or portion thereof), with respect to any Franchise Area, the product of Closing Date Basic Subscribers (except that for these purposes Closing Date Basic Subscribers shall not include Lost Service Subscribers during the period that they are Lost Service Subscribers) for such Franchise Area multiplied by \$13.16 (\$0.44 on a

daily basis in the case of a portion of any month), plus interest on such amount at the Prime Rate for the period from the end of such month to the date of determination for such Franchise Area, compounded quarterly.

"MultiCategory Subscriber" shall have the meaning set out in Section 4.1(f).

"MultiCategory Retained Subscriber" shall have the meaning set out in Section 4.1(f).

"Nashville Local Authorizations" shall have the meaning set out in Section 7.5.

"NonAcquired Employee" shall have the meaning set out in Section 8.8(a).

"NonAssumed Contracts" shall mean (i)the Viacom Pension Plan, (ii)the 401(k) Plan, (iii)any other employee benefit plan, (iv)any employment agreements whether listed on Schedule 5.16 or otherwise, (v)any programming agreements with The Science Fiction Channel, Inc. or any whollyowned subsidiary of Viacom (whether as of the date hereof or hereafter) (other than (1) the Agreement, dated the date hereof, among MTV Networks Affiliation Sales and Marketing, a division of PVI Sales and Marketing, Inc., Satellite Services, Inc., Buyer and InterMedia and (2) the Agreement dated the date hereof, among Showtime Networks Sales and Marketing, Satellite Services, Inc. and Buyer), (vi)to the extent permitted under applicable Legal Requirements, the Collective Bargaining Agreement referred to on Schedule5.16, (vii)any arrangements with USA Network, (viii)obligations arising after December31, 1995 to the Comedy Channel, (ix)any programming agreement that is not by its terms required to be assigned to a transferee of any of the Systems if TeleVue and its Affiliates will not incur any liability or obligation under or with respect to such programming agreement as a result of the failure to assign such programming agreement to Buyer and (x)the Lease dated December27, 1985 between A.L. McCormick and Viacom International, Inc., an Ohio corporation, as amended by Lease Amendment No.1 dated January 15, 1985.

"Nonrecourse" shall have the meaning set out in Section 14.14(b).

"Note" shall have the meaning set out in Section 12.2(b)(i).

"Other Current Liabilities" shall mean all current liabilities (including, but not limited to, accrued vacation pay for Acquired Employees, subscriber security deposits, customer prepayments for service to be rendered after the Closing Date and deferred customer revenues (other than any deferred customer revenues arising out of any payments of principal due from the Telecom Partnerships referred to in clause (ii) of the definition of Telecom Capital Expenditure Amount), but excluding (i) Accounts Payable and (ii) any advance billings subtracted in the calculation of Accounts Receivable, Net) of the Cable Group relating to the conduct of the Business calculated as of the Closing in accordance with GAAP on a basis consistent with the application of such principles in the preparation of the Financial Statements.

"Over Base Subscriber Number Fraction" shall mean the lesser of one and (1)\$2,227,800,000 divided by (2)a dollar amount equal to the sum of (x)the

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product of \$1,984.98 and West Coast Closing Date Basic Subscribers plus (y)the product of \$1,813.47 and Eastern System Closing Date Basic Subscribers (assuming for purposes of making the calculations required by this definition that Closing Date Basic Subscribers include Right of First Refusal Subscribers).

"Over Base Subscriber Number Retained Subscribers" shall mean Retained Subscribers less Under Base Subscriber Number Retained Subscribers.

"Owned Real Property" shall mean all fee interests of the Cable Group in the real property used in connection with any System.

"Per Subscriber Rate" shall mean (1)if Closing Date Basic Subscribers are 1,134,000 or less (i)\$1,984.98, with respect to West Coast Closing Date Basic Subscribers, and (ii)\$1,813.47, with respect to Eastern System Closing Date Basic Subscribers, or (2)if Closing Date Basic Subscribers exceed 1,134,000 (i)\$1,984.98 multiplied by the Over Base Subscriber Number Fraction, with respect to West Coast Closing Date Basic Subscribers, and (ii)\$1,813.47 multiplied by the Over Base Subscriber Number Fraction with respect to Eastern System Closing Date Basic Subscribers (assuming for purposes of making the calculations required by this definition that Closing Date Basic Subscribers include Right of First Refusal Subscribers).

"Permits" shall have the meaning set out in Section 2.1(f).

"Permitted Liens" shall mean (i) Liens for Taxes not yet due and payable; (ii) any carrier's, warehousemen's, mechanic's, materialmen's, repairmen's, employees' or other like Lien arising in the ordinary course of business, to the extent the obligation secured thereby constitutes an Assumed Liability or relates to an obligation that was paid by the Cable Group; (iii) easements, rightsofway, restrictions, encroachments and other similar encumbrances which do not materially interfere with the use of the Acquired Asset as presently used in the Business; (iv) Liens arising under or specifically permitted by this Agreement or as a result of any action by Buyer or any of its Affiliates; (v) rights of first refusal in favor of, and restrictions imposed by, Governmental Authorities; or (vi) in the case of assets leased or licensed to the Cable Group, the rights of, and any Lien encumbering the interest of, the owner, lessor or licensor of such assets, provided such Lien does not materially interfere with the use of such asset as presently used in the Business.

"Person" shall mean and include an individual, a corporation, a partnership (general, limited or limited liability), a joint venture, a limited liability company, an association, a trust or any other organization or entity, including a Governmental Authority.

"Prepaid Expenses" shall mean the book value of prepaid expenses and miscellaneous prepaids (in each case, only to the extent constituting a current asset) of the Cable Group with respect to the Business calculated as of the Closing Date in accordance with GAAP, applied on a basis consistent with the application of such principles in the preparation of the Financial Statements, to the extent that such prepaid expenses will accrue to the benefit of Buyer immediately following the Closing.

"Primary Classification" shall have the meaning set out in Section 4.1(f).

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"Prime Rate" shall mean the per annum rate of interest published as such from time to time in the Money Rates column of The Wall Street Journal (Eastern Edition). For all purposes of this Agreement, interest at the Prime Rate shall be calculated on the basis of the actual number of days elapsed in the relevant period over a year of 365 or 366 days, as applicable.

"Purchase Price" shall have the meaning set out in Section 4.1.

"PVIT Assets" shall have the meaning set out in Section 12.2(a)(ii).

"Real Estate" shall have the meaning set out in Section 2.1(d).

"Real Property" shall mean Owned Real Property and Leased Real Property.

"Regulatory Approvals" shall have the meaning set out in Section 8.2(c).

"Remaining Cable Division Subsidiary" shall have the meaning set out in Section 2.1.

"Reorganizations" shall have the meaning set out in Section 2.5.

"Retained Assets" shall have the meaning set out in Section 2.2(f).

"Retained Contracts" shall have the meaning set out in Section 2.2(f).

"Retained Franchise Areas" shall have the meaning set out in Section 4.1(b)(ii).

"Retained Franchise Reduction Amount" shall mean either zero or, if applicable, the amount determined pursuant to Section 4.1(b)(ii).

"Retained Liabilities" shall have the meaning set out in Section 3.2.



"Retained Local Authorization" shall have the meaning set out in Section 4.1(b)(ii).

"Retained Permits" shall have the meaning set out in Section 2.2(f).

"Retained Subscribers" shall have the meaning set out in Section 4.1(b)(ii).

"Right of First Refusal Adjustments" shall mean the adjustments referred to in Section 4.1(d)(i).

"Right of First Refusal Assets" shall have the meaning set out in Section 2.2(g)

"Right of First Refusal Contracts" shall have the meaning set out in Section 2.2(g)

"Right of First Refusal Franchise Area" shall have the meaning set out in Section 4.1(d).

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"Right of First Refusal Local Authorization" shall have the meaning set out in Section 4.1(d).

"Right of First Refusal Permits" shall have the meaning set out in Section 2.2(g).

"Right of First Refusal Subscribers" shall have the meaning set out in Section 4.1(d).

"Rules and Regulations" shall have the meaning set out in the definition of Communications Act.

"SEC" shall have the meaning set out in Section 7.4.

"Second Pledge Agreement" shall have the meaning set out in Section 12.2(b)(i).

"Second Request" shall mean a request for additional information or documentary material pursuant to 16 C.F.R. 803.20.

"Secondary Classification" shall have the meaning set out in Section 4.1(f).

"Section 2.4 Retained Subscriber Amount" shall mean, at any date of determination, an amount equal to (i)(A) the Total Retained Subscriber Amount minus (B) the Retained Franchise Reduction Amount minus (C) the Transferred Subscriber Amount plus (D) the aggregate amount paid to TeleVue pursuant to Section 4.1(e)(A)(1) plus (ii) interest on the amount computed pursuant to clause (i) of this definition at the Prime Rate for the period from the Closing Date to the date of payment of such amount, compounded quarterly.

"626 Letters" shall mean written notices pursuant to Section 626(a)(1)(B) of the Communications Act.

"Subscriber Shortfall Amount" shall mean either zero or, if applicable, the amount determined pursuant to Section 4.1(a)(2).

"Subscriber Shortfall Number" shall mean a number equal to 1,122,660 or such other number as may be fixed pursuant to Section 4.1(d)(i)(C).

"Subsidiary" shall mean, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors of other persons performing similar functions

are directly or indirectly owned by such Person.

"System" shall mean each of the cable television systems listed on Exhibit A hereto.

"Taxes" shall mean all taxes, fees, duties, imposts, levies, withholdings, tax deficiencies, assessments, and charges, including, without limitation, all net income, gross income, gross receipts, sales, use, valueadded, ad valorem,

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transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupation, property or other taxes and customs duties of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts relating thereto, imposed by any governmental authority (domestic or foreign).

"Tax Return" shall mean any return, report, information return or other document (including any related or supporting information) filed or required to be filed with any taxing authority in connection with the determination, assessment, collection, administration or imposition of any Taxes.

"TCG San Francisco Partnership" shall have the meaning set out in the definition of Telecom Partnership Agreements.

"TCG Seattle Partnership" shall have the meaning set out in the definition of Telecom Partnership Agreements.

"TCI Stock" shall mean any class or series of capital stock of the TeleCommunications, Inc., a Delaware corporation, that is publicly traded on the Nasdaq National Market.

"Telecom Agreements" shall mean all agreements of the Cable Group relating to the Telecom Partnerships, including, without limitation, the Telecom Partnership Agreements.

"Telecom Amount" shall mean the sum of the Telecom Capital Account Amount and the Telecom Capital Expenditure Amount.

"Telecom Assets" shall mean all right, title and interest of the Cable Group in and to (i) the Telecom Partnerships, including, without limitation, under the Telecom Partnership Agreements, and (ii) all interests in real property, all equipment and all other property of the Cable Group leased or licensed to, or held for, or built for lease, license or use by, any Telecom Partnership.

"Telecom Capital Account Amount" shall mean the aggregate amount of all Capital Contributions (as defined in the relevant Telecom Partnership Agreement) by the Cable Group to the Telecom Partnerships under the Telecom Partnership Agreements as of the Closing Date.

"Telecom Capital Expenditure Amount" shall mean (i) the aggregate amount of all capital expenditures (including allocated overhead) made by the Cable Group on or prior to the Closing Date on behalf of or for the benefit of any Telecom Partnership in accordance with the allocation methods provided pursuant to the relevant Telecom Partnership Agreement, less (ii) the principal portion of any payments received from the Telecom Partnerships, provided that the Telecom Capital Expenditure Amount shall not in any event exceed \$15.8 million.

"Telecom Partnership Agreements" shall mean (i) the Partnership Agreement creating TCG San Francisco (the "TCG San Francisco Partnership") dated as of January 1, 1994, by and among Teleport Communications of San Francisco, Inc., a

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Delaware corporation and the other parties listed on the signature pages thereof, (ii) the Partnership Agreement creating TCG Seattle (the "TCG Seattle Partnership") dated as of January 1, 1994, by and among Teleport Communications of Seattle, Inc., a Delaware corporation and the other parties listed on the signature pages thereof and (iii) the Limited Partnership Agreement of AVR of Tennessee, L.P., a California limited partnership, dated as of November 15, 1993, by and among Viacom Telecom Inc., a Delaware corporation, and the other parties signatories thereto (the "AVR Partnership").

"Telecom Partnerships" shall mean the TCG San Francisco Partnership, the TCG Seattle Partnership and the AVR Partnership.

"TeleVue" shall mean TeleVue Systems, Inc., a Washington corporation.

"Terminated Retained Franchise Areas" shall have the meaning set out in Section 2.4(a) (iii).

"Territory" shall have the meaning set out in Section 7.10.

"Total Retained Subscriber Amount" shall mean an amount equal to (i) the number of West Coast Closing Date Basic Subscribers included in Retained Subscribers multiplied by the applicable Per Subscriber Rate plus (ii) the number of Eastern System Closing Date Basic Subscribers included in Retained Subscribers multiplied by the applicable Per Subscriber Rate.

"Transaction" shall mean the transactions contemplated by this Agreement, including without limitation the sale of the Acquired Assets to Buyer.

"Transaction Document" shall have the meaning set out in Section 14.14(a).

"Transferred Cash Balances" shall mean the petty cash, cash drawer and imprest account balances of the Cable Group as of the Closing.

"Transferred Subscriber Amount" shall mean an amount equal to the sum of

(a) the product of (x) the aggregate number of West Coast Closing Date Basic Subscribers that are Retained Subscribers in Retained Franchise Areas that have been previously transferred to Buyer pursuant to Section 4.1(e) multiplied by (y) the applicable Per Subscriber Rate, plus

(b) the product of (x) the aggregate number of Eastern System Closing Date Basic Subscribers that are Retained Subscribers in Retained Franchise Areas that have been previously transferred to Buyer pursuant to Section 4.1(e) multiplied by (y) the applicable Per Subscriber Rate.

"Under Base Subscriber Number Retained Subscribers" shall be determined as follows:

(a) if Closing Date Basic Subscribers minus Lost Service Subscribers ("Adjusted Closing Date Basic Subscribers") is less than the Base Subscriber Number, Under Base Subscriber Number Retained Subscribers shall mean Retained Subscribers;

(b) if Adjusted Closing Date Basic Subscribers is more than the Base Subscriber Number, then:

(i) if Adjusted Closing Date Basic Subscribers minus the Base Subscriber Number is greater than Retained Subscribers, Under Base Subscriber Number Retained Subscribers shall mean zero; or

(ii) if Adjusted Closing Date Basic Subscribers minus the Base

Subscriber Number is less than Retained Subscribers, Under Base Subscriber Number Retained Subscribers shall mean a number equal to (x)Retained Subscribers minus (y)the number by which Adjusted Closing Date Basic Subscribers exceeds the Base Subscriber Number.

"Unreimbursed Cumulative Adjusted Capital Expenditures" means, at any date of determination, with respect to a Retained Franchise Area, an amount equal to the Cumulative Adjusted Capital Expenditures for such Retained Franchise Area to such date of determination.

"Value Guarantee Agreement" shall have the meaning set out in Section 12.2(b) (i) (C).

"Viacom" shall mean Viacom International Inc., a Delaware corporation.

"Viacom Inc." shall mean Viacom Inc., a Delaware corporation.

"Viacom Pension Plan" shall have the meaning set out in Section 8.8(c).

"West Coast Closing Date Basic Subscribers" shall mean the aggregate number of Closing Date Basic Subscribers in the West Coast Systems.

"West Coast Closing Date Subscriber Target" shall mean 988,911 or, if applicable, such other number as may be fixed pursuant to Section 4.1(d) (i) (D).

"West Coast Right of First Refusal Subscribers" shall have the meaning set out in Section 4.1(d) (i) (E).

"West Coast Systems" shall mean the Bay Area, Northern California, Puget Sound, Salem and Dayton Systems listed on ExhibitA hereto.

## ARTICLE II

### PURCHASE AND SALE OF ASSETS

Section 2.1 Acquired Assets. Upon the terms and subject to the conditions of this Agreement, at the Closing TeleVue shall (and if at the Closing a Reorganization has not occurred with respect to any other Cable Division Subsidiary (a "Remaining Cable Division Subsidiary"), TeleVue shall cause each such Remaining Cable Division Subsidiary to), sell, assign, transfer and convey to Buyer, and Buyer shall purchase, assume and acquire from TeleVue (and each such Remaining Cable Division Subsidiary, if any), all of the right, title and interest of the Cable Group in all assets owned, used or held for use by the Cable Group in the Business (the "Acquired Assets") as the same shall exist on the Closing Date, including, without limitation, all right, title and interest of the Cable Group in the following:

(a) Accounts Receivable. All accounts receivable owing to the Cable Group relating to the conduct of the Business.

(b) Inventory. All inventory and supplies of the Business (collectively, "Inventory").

(c) Prepaid Expenses. All prepaid expenses of the Cable Group relating to the conduct of the Business to the extent constituting Prepaid Expenses.

(d) Real Estate. All realty, towers, fixtures, easements, rightsofway, leasehold and other interests in real property, buildings and improvements, constructioninprogress and all other interests of the Cable Group in real property owned, used or held for use by the Cable Group in the Business, including, without limitation, all Real Property (collectively, "Real Estate").

(e) Equipment. All equipment and other personal property of the Cable Group owned, used or held for use by the Cable Group in connection with the Business or the Systems (collectively, "Equipment").

(f) Permits and Licenses. All authorizations, approvals, certifications, franchises, licenses and permits of Governmental Authorities necessary to the continued operation of, or owned, used or held for use by the Cable Group in connection with, the Business as conducted immediately prior to the Closing, including, without limitation, all Local Authorizations, the Nashville Local Authorizations and all FCC Authorizations (collectively, "Permits").

(g) Assumed Contracts. All contracts, purchase orders and other agreements of the Cable Group relating to the Business, including, without limitation, all Material Contracts, and all Telecom Agreements, but

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excluding NonAssumed Contracts (collectively, "Assumed Contracts"). Without limitation of Buyer's obligations to TeleVue and Viacom hereunder, this provision will not be deemed to supersede any rights of Buyer or its Affiliates under any of their respective programming agreements.

(h) Intangible Property. Subscriber lists and customer records of the Systems, construction and engineering maps and data, schematics and blueprints, books and financial records pertaining to the operation of the Business or the Systems (except that TeleVue shall be entitled to retain copies of such books and records), and all correspondence and documents pertaining to subscribers, Governmental Authorities and other third parties relevant to the Systems' ongoing relationships with subscribers, Governmental Authorities and other third parties, in each case then in the possession of the Cable Group; and all trademark, trade names, service marks, copyrights and other intangible property used primarily in the Business (collectively, "Intangible Assets"); provided, that after the Closing TeleVue and its Affiliates shall have reasonable access upon reasonable notice during normal business hours to the Intangible Assets. Buyer has delivered or will prior to the Closing deliver to Viacom a copy of its record retention policy, showing the number of years certain categories of books and records will be retained. Viacom has the right, by delivery of a notice to Buyer at least 30 days prior to the date that any category of such records are to be destroyed pursuant to the policy, to obtain any or all of such records at Viacom's sole expense. Upon receipt of such notice, Buyer will not destroy such records, and shall make them available for pickup by Viacom.

(i) Telecom Assets. The Telecom Assets.

(j) Transferred Cash Balances. The Transferred Cash Balances.

Section 2.2 Excluded Assets. Notwithstanding anything contained in Section 2.1 hereto to the contrary, the Acquired Assets will not include any of the following assets of the Cable Group (the "Excluded Assets"):

(a) Cash. Cash and cash equivalents (other than the Transferred Cash Balances).

(b) Viacom Name. All rights in and to the names "Viacom," "Viacom International" and "Viacom Cable" and derivations thereof; provided, however, that Buyer may continue to use such names on trucks and buildings to the extent so used immediately prior to the Closing for a reasonable period after the Closing, but not to exceed ninety (90) days in the case of trucks and thirty (30) days in the case of buildings; and provided further that Buyer will provide replacements for channel cards, remote control stickers and other items containing any such name in the ordinary course of business. Buyer acknowledges that it is not acquiring any rights in any such name (except the right of use set forth in this Section 2.2(b)), and

Buyer agrees to use such names only in accordance with this Section 2.2(b).

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(c) Possessory Interest Litigation. All rights and interest in the lawsuits, declaratory judgment actions, administrative proceedings and appeals currently pending or filed, or taken in the future, which arise out of the calculation, or collection from the Cable Group, of possessory interest taxes by California counties including, without limitation, all claims and rights of recovery thereunder.

(d) Tax Refunds. All rights of the Cable Group to any refunds of Taxes imposed upon the Cable Group .

(e) Other Assets. The patent and other rights and assets listed on Schedule 2.2.

(f) Retained Assets. With respect to all Retained Franchise Areas, all Retained Local Authorizations and all related Real Estate, Equipment, Permits ("Retained Permits"), Assumed Contracts ("Retained Contracts") and Intangible Property (collectively, "Retained Assets").

(g) Right of First Refusal Assets. With respect to all Right of First Refusal Franchise Areas, all Right of First Refusal Local Authorizations and all related Real Estate, Equipment, Permits ("Right of First Refusal Permits"), Assumed Contracts ("Right of First Refusal Contracts") and Intangible Property (collectively, "Right of First Refusal Assets") together with the proceeds, and all claims and rights to receive such proceeds, from any disposition of all or any of such Right of First Refusal Assets.

(h) NonAssumed Contracts. All NonAssumed Contracts.

Section 2.3 Efforts to Obtain Consents. To the extent that any Assumed Contract to be transferred to Buyer pursuant to Section 2.1 hereof is not capable of being validly and fully assigned, transferred, conveyed or reissued to Buyer without consent of another Person, and such consent has not been obtained prior to the Closing or does not remain in full force and effect at the Closing, such failure to obtain such consent or failure of such consent to be in full force and effect at the Closing shall not itself constitute a breach of any provision hereof, and upon consummation of the Closing such Assumed Contract shall not be assigned but TeleVue shall, after the Closing, use its reasonable commercial efforts (at the expense of TeleVue, but without TeleVue being required to provide any consideration therefor) to: (i) keep such Assumed Contract in effect and obtain such consent; (ii) provide to Buyer the benefits of such Assumed Contract through subcontract or otherwise; (iii) cooperate in any reasonable arrangement designed to provide such benefits to Buyer; and (iv) enforce, at the request and sole expense of Buyer, any rights of the Cable Group under or with respect to such Assumed Contract against all other Persons (including termination of the foregoing in accordance with the terms thereof upon the election of Buyer).

Section 2.4 Lack of Regulatory Approvals; Right of First Refusal Franchise Areas. (a) (i) If at the Closing all Regulatory Approvals have not been obtained or do not remain in full force and effect, such failure to obtain such

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Regulatory Approvals or such failure of such Regulatory Approvals to be in full force and effect at the Closing shall not itself constitute a breach of any provision hereof. With respect to all Retained Franchise Areas, TeleVue shall retain the Retained Local Authorization and all Retained Assets, and Buyer shall not purchase such assets at the Closing as provided in this Article II and

Section 4.1, provided that TeleVue and Buyer shall take such steps and enter into such agreements, including management agreements (with Buyer as manager, but at no cost to TeleVue), as may be reasonably necessary so that the Buyer shall have the use and benefit of (including, without limitation, cash flow), and burdens (including, without limitation, Taxes and risk of loss) with respect to, the Retained Assets as if the Retained Assets were Acquired Assets, until, with respect to any Retained Local Authorization and the related Retained Assets, the Deferred Closing Date or the termination of such agreements as contemplated below in this Section 2.4. Such management agreements will provide that Buyer will have the right to set programming, provided that, with respect to any Retained Franchise Area, Buyer will not take any action, including, without limitation, increasing subscriber rates, that could reasonably be expected to delay the Deferred Closing Date with respect to such Retained Franchise Area or make the occurrence thereof less likely. Such management agreements will also provide that TeleVue will continue to make capital expenditures with respect to each Retained Franchise Area as if the Closing had not occurred, but only until the Deferred Closing Date for such Retained Franchise Area. The outpocket costs and expenses of all such arrangements shall be shared equally by Buyer and TeleVue (except that each party shall be responsible for the fees and expenses of its own legal advisors).

(ii) With respect to the Retained Franchise Areas, upon request of TeleVue from time to time following the Closing (but in any event no more frequently than monthly), Buyer shall promptly reimburse TeleVue for the amount of Aggregate Cumulative Adjusted Capital Expenditures made prior to the date of such request, but only to the extent of Aggregate Cumulative Deemed Net Cash Flow at such date. Upon such reimbursement, (a) Aggregate Cumulative Adjusted Capital Expenditures and Aggregate Cumulative Deemed Net Cash Flow shall each be reduced by the amount of such payment, (b) Cumulative Adjusted Capital Expenditures for all Retained Franchise Areas shall each be reduced by a pro rata allocation of the amount of such payment and (c) Cumulative Deemed Net Cash Flow for all Retained Franchise Areas shall be reduced by a pro rata allocation of the amount of such payment.

(iii) With respect to any Retained Franchise Area as to which a Deferred Closing Date has not occurred within twentyfour months following the Closing, if TeleVue and Buyer have been unable, after good faith negotiations, to enter into agreements providing in all material respects the economic equivalent to Buyer of ownership of the Retained Assets, then thereafter either TeleVue or Buyer may, by written notice to the other, elect to terminate all the agreements referred to in this Section 2.4 on a termination date specified in such notice for such Retained Franchise Areas ("Terminated Retained Franchise Areas"), which termination date may not be earlier than 90 days following the other's receipt of such notice. If TeleVue so requests, prior to such termination Buyer and TeleVue shall enter into such agreements, including without limitation service and management agreements for such Terminated Retained Franchise Areas, on reasonable and customary commercial terms (provided

that such agreements shall be cancelable by Buyer without penalty or other payment on not more than 180 days prior notice and shall be cancelable by TeleVue without penalty or other payment on not more than 30 days' prior written notice to Buyer) as may be reasonably necessary so that TeleVue shall have the use and benefit of, and burdens with respect to, and be able to operate the related Retained Assets as if, from and after such termination, the Closing had not occurred. Upon such termination (i) Buyer shall pay to TeleVue an amount equal to the aggregate Cumulative Deemed Net Cash Flow for such Terminated Franchise Areas as of the termination date, and if the number of Over Base Subscriber Number Retained Subscribers exceeds zero, TeleVue shall pay to Buyer the Section 2.4 Retained Subscriber Amount, if any, provided that if each of Buyer and TeleVue have obligations under this clause (i) such obligations shall be deemed satisfied and replaced by an obligation of the party which owed the greater amount to pay to the party which owed the lesser amount, an amount equal to the excess of such greater amount over such lesser amount, and (ii) TeleVue's and Buyer's obligations under Section 4.1(d) with respect to the related

Retained Local Authorization and related Retained Assets shall terminate.

(iv) Buyer shall provide TeleVue with access to the books and records of Buyer relating to the Retained Franchise Areas and any other assistance that TeleVue may request in connection with the determination of Cumulative Adjusted Capital Expenditures. TeleVue shall provide Buyer with access to the books and records of TeleVue relating to the Retained Franchise Areas, to the extent relating to the period following the Closing, and any other assistance that Buyer may request in connection with the determination of Cumulative Adjusted Capital Expenditures.

(b) With respect to all Right of First Refusal Franchise Areas, TeleVue shall retain the Right of First Refusal Local Authorizations and all Right of First Refusal Assets and Buyer shall not purchase such assets at the Closing as provided in this Article II and Section 4.1. With respect to any Right of First Refusal Franchise Area, if TeleVue so requests, Buyer and TeleVue shall enter into such agreements (effective at or after the Closing), including without limitation service (with Buyer providing services) and management (with Buyer as manager) agreements, on reasonable and customary commercial terms so that TeleVue shall be able to operate the related Right of First Refusal Assets as if the Closing had not occurred; provided that (i) such agreements shall provide that as compensation for its services under such agreements, Buyer shall have the use and benefit of the cash flow derived from such Right of First Refusal Assets except that Buyer shall be obligated to pay to TeleVue promptly after each month end an amount equal to the Monthly Deemed Net Cash Flow for such Right of First Refusal Franchise Area and (ii) such agreements shall be cancelable without penalty or other payment by TeleVue and Buyer on 90 and 180 days' notice, respectively. Unless otherwise provided therein, such agreements shall terminate with respect to any Right of First Refusal Franchise Area upon the transfer of the related Right of First Refusal Assets pursuant to Section 4.1(d) or termination of the Cable Group's rights under the related Right of First Refusal Local Authorization.

Section 2.5 Reorganization. TeleVue intends to cause each of the other Cable Division Subsidiaries to be merged with and into, or liquidated into, TeleVue. Such mergers and liquidations are herein referred to as the "Reorganizations." Buyer agrees that no Reorganization shall constitute or give rise to a breach of any provision hereof, except that this sentence shall not apply to a breach of Section 5.23.

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Section 2.6 Purchase Price Allocations. Buyer and TeleVue agree to allocate to any property included in the Acquired Assets with respect to which Taxes described in the second sentence of Section 8.7 (a) are imposed a portion of the Purchase Price equal to the net book value for financial reporting purposes (as shown on the books of the Cable Group) of such property. Buyer and TeleVue shall, and shall cause their respective Affiliates to, file all Tax Returns in a manner consistent with such allocation.

### ARTICLE III

#### ASSUMPTION OF LIABILITIES

Section 3.1 Assumption of Liabilities. Buyer shall assume, pay, perform and discharge the following liabilities and obligations (the "Assumed Liabilities"):

(a) Assumed Contracts. All liabilities and obligations of the Cable Group under the Assumed Contracts to be satisfied or performed after the Closing.

(b) Permits. All liabilities and obligations under Permits (including, without limitation, any performance guarantees, assumptions of liability or indemnities that have been provided to Local Authorities) to be satisfied



or performed after the Closing.

(c) Accounts Payable. All accounts payable owing by the Cable Group relating to the conduct of the Business, to the extent constituting Accounts Payable.

(d) Other Current Liabilities. All current liabilities (including, but not limited to, accrued vacation pay of Acquired Employees, subscriber security deposits, customer prepayments for services to be rendered after the Closing Date and deferred customer revenues, but excluding Accounts Payable) of the Cable Group relating to the conduct of the Business, to the extent constituting Other Current Liabilities.

(e) Post-Closing Liabilities. All claims, liabilities, obligations, costs and expenses arising out of or with respect to the conduct of the Business after Closing, including, without limitation, any and all franchise fees, pole attachment rentals, copyright fees, federal, state or local income, sales, use, excise, property or other Taxes, and tort, contract or Permit claims arising out of or attributable to the conduct of the Business or the Acquired Assets after the Closing.

Section 3.2 Retained Liabilities. Notwithstanding anything contained in Section 3.1 to the contrary, except to the extent specifically assumed by Buyer under Section 3.1(a), (b), (c), (d) or (e), Buyer shall not assume and shall not be obligated to pay, perform or discharge any liabilities, obligations, costs and expenses of the Cable Group with respect to claims (including litigation)

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insofar as such claims (including litigation) relate to the ownership or operation of the Business prior to the Closing ("Retained Liabilities").

#### ARTICLE IV

##### PURCHASE PRICE

###### Section 4.1 Purchase Price.

(a)(1)The purchase price for the Acquired Assets (the "Purchase Price") shall be an aggregate amount equal to (A)an amount (the "Base Price") equal to the sum of (i)the Fixed Price plus (ii)the Capital Expenditure Amount, plus (iii)the Closing Inventory Amount, plus (iv)an amount equal to Closing Working Capital, if Closing Working Capital is a positive amount, plus (v)the Telecom Amount, minus (vi)an amount equal to the amount by which Closing Working Capital is less than zero, if Closing Working Capital is a negative amount, minus (vii)the Subscriber Shortfall Amount, if any, minus (viii)the Lost Service Subscriber Reduction Amount, if any, minus (ix)the Retained Franchise Reduction Amount, if any, minus (x)the amount of the front-end loaded programming payments set forth on Schedule 4.1, plus (B)if the Closing takes place after June 30, 1995, an amount equal to interest on the Base Price at the LIBOR Rate for the period from June 30, 1995 to the Closing Date.

(2) If Closing Date Basic Subscribers are less than the Subscriber Shortfall Number, the "Subscriber Shortfall Amount" shall be an amount calculated as follows:

(i) If West Coast Closing Date Basic Subscribers are less than the West Coast Closing Date Subscriber Target and Eastern System Closing Date Basic Subscribers are less than the Eastern System Closing Date Subscriber Target, then the Subscriber Shortfall Amount shall be equal to the sum of (A) the product of (x)\$1,984.98 and (y) the shortfall of West Coast Closing Date Basic Subscribers below the West Coast Closing Date Subscriber Target and (B) the product of (x)\$1,813.47 and (y) the shortfall of Eastern System Closing Date Basic Subscribers below the Eastern System Closing Date Subscriber Target.

(ii) If West Coast Closing Date Basic Subscribers are less than the West Coast Closing Date Subscriber Target and Eastern System Closing Date Basic Subscribers are greater than the Eastern System Closing Date Subscriber Target, then the Subscriber Shortfall Amount shall be equal to (1) the product of (A)\$1,984.98 and (B)the shortfall of West Coast Closing Date Basic Subscribers below the West Coast Closing Date Subscriber Target minus (2) the product of (A)\$1,813.47 and (B)the excess of Eastern System Closing Date Basic Subscribers over the Eastern System Closing Date Subscriber Target.

(iii) If Eastern System Closing Date Basic Subscribers are less than the Eastern System Closing Date Subscriber Target and West Coast Closing Date Basic Subscribers are greater than the West Coast Closing Date

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Subscriber Target, then the Subscriber Shortfall Amount shall be equal to (1) the product of (A)\$1,813.47 and (B)the shortfall of Eastern System Closing Date Basic Subscribers below the Eastern System Closing Date Subscriber Target minus (2) the product of (A)\$1,984.98 and (B)the excess of West Coast Closing Date Basic Subscribers over the West Coast Closing Date Subscriber Target.

(b) In the event that at the time of the Closing:

(i) any natural disaster has occurred that has damaged the tangible assets of any one or more Systems sufficiently to cause more than 11,340 Basic Subscribers then to be unable to receive cable television service as a result of such damage (a "Disaster", the aggregate number of Closing Date Basic Subscribers not receiving such service at the Closing Date as a result of such Disaster being referred to herein as "Lost Service Subscribers"), the "Lost Service Subscriber Reduction Amount" shall be an amount equal to the product of the Lost Service Subscribers multiplied by the applicable Per Subscriber Rate; or

(ii)TeleVue is unable to transfer to Buyer a Local Authorization (other than a Right of First Refusal Local Authorization) whether by reason of a failure to renew a Local Authorization, the inability to obtain a Local Authority Consent, or otherwise (a "Retained Local Authorization"; the aggregate number of Closing Date Basic Subscribers in the Franchise Areas covered by such Retained Local Authorizations at the Closing Date being referred to herein as "Retained Subscribers" and the Franchise Areas covered by such Retained Local Authorizations being referred to herein as "Retained Franchise Areas"), the "Retained Franchise Reduction Amount" shall be an amount equal to the product of the Under Base Subscriber Number Retained Subscribers multiplied by the applicable Per Subscriber Rate determined and calculated as provided in the following two sentences. For purposes of determining the number of West Coast Closing Date Basic Subscribers and Eastern System Closing Date Basic Subscribers included in Under Base Subscriber Number Retained Subscribers, it shall be assumed that (i)the number of West Coast Closing Date Basic Subscribers included in Under Base Subscriber Number Retained Subscribers equals (1)the number of West Coast Closing Date Basic Subscribers included in Retained Subscribers multiplied by (2)a fraction equal to Under Base Subscriber Number Retained Subscribers divided by Retained Subscribers and (ii)the number of Eastern System Closing Date Basic Subscribers included in Under Base Subscriber Number Retained Subscribers equals (1)the number of Eastern System Closing Date Basic Subscribers included in Retained Subscribers multiplied by (2)a fraction equal to Under Base Subscriber Number Retained Subscribers divided by Retained Subscribers. The Retained Franchise Reduction Amount shall be determined by multiplying the numbers of West Coast Closing Date Basic Subscribers and Eastern System Closing Date Basic Subscribers determined pursuant to the preceding sentence by the applicable Per Subscriber Rates applicable to each such number and adding such amounts.

(c) If clause(i) of Section 4.1(b) applies at the Closing, (i) following

the Closing Buyer shall permit TeleVue to, and TeleVue shall use reasonable

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commercial efforts to, cause the damage caused by the Disaster to be repaired as soon as reasonably practicable to the extent necessary to reconnect cable television service (at a level not substantially less than the level of service previously provided) to the Lost Service Subscribers and (ii) Buyer shall pay to TeleVue an amount equal to (A) the applicable Per Subscriber Rate times the number of Lost Service Subscribers as to whom TeleVue shall have notified Buyer in good faith that cable television service has been so reconnected within five (5) Business Days after TeleVue delivers such notice, plus (B) if the Closing takes place after June 30, 1995, an amount equal to interest on the amount computed pursuant to clause (ii)(A) of this paragraph (c) at the LIBOR Rate for the period from June 30, 1995 to the Closing Date (except that if any such Lost Service Subscribers were Lost Service Subscribers during the period between June 30, 1995 and the Closing, such interest shall not be paid pursuant to this clause (B) on the portion of such amount computed pursuant to such clause (ii)(A) that is attributable to such Lost Service Subscribers for that part of the period between June 30, 1995 and the Closing that they were Lost Service Subscribers), provided that the aggregate amount of such payments (but without regard to any interest paid under this Section 4.1(c)) shall not exceed the Lost Service Subscriber Reduction Amount.

(d) If TeleVue is unable to transfer to Buyer at the Closing a Local Authorization ("Right of First Refusal Local Authorization") by reason of the exercise by a Local Authority of a right of first refusal (the Franchise Areas covered by such Right of First Refusal Local Authorizations being referred to herein as "Right of First Refusal Franchise Areas" and the number of Basic Subscribers in the Right of First Refusal Franchise Areas at the Closing Date being referred to as "Right of First Refusal Subscribers"):

(i) The following adjustments shall be made before calculating the Estimated Purchase Price and the Purchase Price:

(A) The Fixed Price shall be reduced from \$2,227,800,000 by an amount equal to (x) Right of First Refusal Subscribers multiplied by (y) the applicable Per Subscriber Rate;

(B) The Base Subscriber Number shall be reduced from 1,134,000 to a number equal to 1,134,000 minus Right of First Refusal Subscribers;

(C) The Subscriber Shortfall Number shall be reduced from 1,122,660 to a number equal to (x) 1,134,000 minus Right of First Refusal Subscribers multiplied by (y) ninety-nine one hundredths (.99);

(D) If Right of First Refusal Subscribers include West Coast Closing Date Basic Subscribers (assuming for these purposes that Right of First Refusal Subscribers are included in Closing Date Basic Subscribers), the number of West Coast Closing Date Basic Subscribers so included shall be referred to herein as "West Coast Right of First of Refusal Subscribers" and the West Coast Closing Date Subscriber Target shall be reduced to a number equal to (x) 998,900 minus West Coast Right of First of Refusal Subscribers multiplied by (y) ninety-nine one hundredths (.99); and

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(E) If Right of First Refusal Subscribers include Eastern System Closing Date Basic Subscribers (assuming for these purposes that Right of First Refusal Subscribers are included in Closing Date Basic Subscribers), the number of Eastern System Closing Date Basic

Subscribers so included shall be referred to herein as "Eastern System Right of First of Refusal Subscribers" and the Eastern System Closing Date Subscriber Target shall be reduced to a number equal to (x)135,100 minus Eastern System Right of First of Refusal Subscribers multiplied by (y)ninety-nine one hundredths (.99).

(ii) If following the Closing TeleVue is able to transfer to Buyer a Right of First Refusal Local Authorization, then TeleVue shall so notify Buyer and, on the fifth Business Day after the date of such notice (a "Deferred Closing Date"), TeleVue shall transfer to Buyer such Right of First Refusal Local Authorization and all related Right of First Refusal Assets held on such Deferred Closing Date and (x)Buyer shall assume, pay, perform and discharge the liabilities and obligations arising from and after such Deferred Closing Date under or in respect of such related Right of First Refusal Assets (including without limitation any related Right of First Refusal Permits and Right of First Refusal Contracts) and (y)Buyer shall pay to TeleVue an amount equal to (1) the sum of (A) the product of the applicable Per Subscriber Rate multiplied by the number of Right of First Refusal Subscribers for the Right of First Refusal Franchise Area and (B) the amount of Deducted Covered Capital Expenditures attributable to such Right of First Refusal Franchise Area plus (C) interest on the amount of such Deducted Covered Capital Expenditures at the Prime Rate for the period from the Closing Date to the Deferred Closing Date, compounded quarterly, plus (2) if the Closing takes place after June 30, 1995, an amount equal to interest on the amount computed pursuant to clause (A) of this paragraph (d) at the LIBOR Rate for the period from June 30, 1995 to the Closing Date. From and after the Deferred Closing Date with respect to a Right of First Refusal Franchise Area, such Right of First Refusal Franchise Area shall no longer be considered a "Right of First Refusal Franchise Area" hereunder and the related "Right of First Refusal Assets" transferred to Buyer on such Deferred Closing Date shall be considered "Acquired Assets" and, to the extent applicable, "Assumed Liabilities" (with the same meanings as if such Acquired Assets and Assumed Liabilities had been transferred on the Closing Date).

(e) If clause (ii) of Section 4.1(b) applies at the Closing, then, if following the Closing TeleVue is able to transfer to Buyer a Retained Local Authorization, TeleVue shall so notify Buyer and, on the fifth Business Day after the date of such notice (a "Deferred Closing Date"), TeleVue shall transfer to Buyer such Retained Local Authorization and all related Retained Assets held on such Deferred Closing Date and Buyer shall assume, pay, perform and discharge the liabilities and obligations arising from and after the Closing Date under or in respect of such related Retained Assets (including without limitation any related Retained Permits and Retained Contracts) and Buyer shall pay to TeleVue an amount equal to:

(A) the sum of (1) the product of (i) the applicable Per Subscriber Rate multiplied by (ii) the number of Retained Subscribers for the Retained Franchise Area covered by such Retained Local Authorization multiplied by (iii) a fraction equal to (x) Under Base Subscriber

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Number Retained Subscribers divided by (y) Retained Subscribers (provided that the aggregate amount calculated pursuant to this clause (1) shall not exceed the Retained Franchise Reduction Amount) plus (2) if there are MultiCategory Retained Subscribers in the Retained Franchise Area covered by such Retained Local Authorization, the product of (i) the applicable Per Subscriber Rate multiplied by (ii) the number of such MultiCategory Retained Subscribers plus (3) the amount of Deducted Covered Capital Expenditures attributable to the Retained Franchise covered by such Retained Local Authorization plus (4) if the Closing takes place after June 30, 1995, interest on the sum of the amount determined pursuant to clauses (1), (2) and (3) at the LIBOR Rate for the period from June 30, 1995 to the Closing Date plus

(B) interest on the amount computed pursuant to clause (A) at the Prime Rate for the period from the Closing Date to the Deferred

Closing Date, compounded quarterly, plus

(C) an amount equal to Unreimbursed Cumulative Adjusted Capital Expenditures as of the Deferred Closing Date for the Retained Franchise Area covered by such Retained Local Authorization.

From and after the Deferred Closing Date with respect to a Retained Franchise Area, such Retained Franchise Area shall no longer be considered a "Retained Franchise Area" hereunder, the related "Retained Local Authorization" shall no longer be considered a "Retained Local Authorization" hereunder and the related "Retained Assets" transferred to Buyer on such Deferred Closing Date shall be considered "Acquired Assets" and, to the extent applicable, "Assumed Liabilities" (with the same meanings as if such Acquired Assets and Assumed Liabilities had been transferred on the Closing Date).

(f) (i) The parties understand and agree that Lost Service Subscribers, Right of First Refusal Subscribers and Retained Subscribers are mutually exclusive. Any Basic Subscriber that would, but for the preceding sentence, be within more than one such definition (a "MultiCategory Subscriber") shall be considered a Right of First Refusal Subscriber before being considered a Retained Subscriber or Lost Service Subscriber and shall be considered a Lost Service Subscriber before being considered a Retained Subscriber, such classification being deemed the "Primary Classification" of such MultiCategory Subscriber and the type of Subscriber definition that would apply next after the Primary Classification pursuant to this sentence shall be the "Secondary Classification" of such MultiCategory Subscriber. If at any time a MultiCategory Subscriber no longer fits the definition of its Primary Classification, effective as of such time (x) such MultiCategory Subscriber shall no longer be deemed to be the type of Subscriber covered by its Primary Classification and shall be deemed to be the type of Subscriber covered by its Secondary Classification (except that any Lost Service Subscriber or Right of First Refusal Subscriber that would become a Retained Subscriber pursuant to this clause shall be deemed to be a "MultiCategory Retained Subscriber" rather than a Retained Subscriber), (y) if applicable, the Lost Service Subscriber Reduction Amount shall be reduced by an amount equal to the product of (A) the number of such MultiCategory Subscribers that are no longer deemed to be Lost Service Subscribers pursuant to clause (x) multiplied by (B) the applicable Per Subscriber Rate, and (z) if applicable, the Lost Service Reduction Amount or the Retained Franchise Reduction Amount, as the case may be, shall be increased by an amount equal to the product of (C) the number of such MultiCategory

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Subscribers that are deemed to be Lost Service Subscribers or Retained Subscribers, respectively, pursuant to clause (x) multiplied by (D) the applicable Per Subscriber Rate.

(ii) The following revisions shall govern the classifications of Franchise Areas that contain MultiCategory Subscribers for purposes of Section 2.4 (it being assumed for these purposes only that the classifications of Basic Subscribers are not mutually exclusive as provided in Section 4.1(f)):

(A) MultiCategory Retained Subscribers shall be deemed to be Retained Subscribers solely for purposes of determining the classification of Franchise Areas. For all other purposes hereunder (including, without limitation, Section 4.1(e)), MultiCategory Retained Subscribers shall not be deemed to be Retained Subscribers.

(B) If a Franchise Area contains both Lost Service Subscribers and Retained Subscribers, such Franchise Area shall be deemed to be a Retained Franchise Area.

(C) A Franchise Area that contains Right of First Refusal Subscribers shall be deemed to be a Right of First Refusal Franchise Area until the transfer to Buyer of the Right of First Refusal Local Authorization relating thereto is no longer prevented by reason of the

exercise by a Local Authority of a right of first refusal, and thereafter shall be deemed to be a Retained Franchise Area if there are any Retained Subscribers in such Franchise Area.

(g) Payments pursuant to Section 4.1(c) or (d) or (e) shall be made by wire transfer of immediately available funds to an account in the United States designated by TeleVue at least two (2) Business Days prior to the date such payment is due. Any payment pursuant to Section 4.1(c) or (d) (other than interest) or (e) shall be deemed to be an adjustment to the Purchase Price for purposes of this Agreement. Notwithstanding the provisions of Sections 4.1(c), (d) and (e), Buyer shall in no event be required to make any payment pursuant to any such Section with respect to Lost Service Subscribers, Right of First Refusal Subscribers and Retained Subscribers if and to the extent that, after giving effect to such payment, (x) the aggregate amount of such payments made pursuant to such Sections (excluding any payments relating to interest, capital expenditures (including, without limitation, Deducted Covered Capital Expenditures) and cash flow) would exceed (y) an amount equal to the aggregate amount that would have been paid at the Closing for all Lost Service Subscribers, Right of First Refusal Subscribers and Retained Subscribers if none of such Basic Subscribers had had the status of Lost Service Subscriber, Right of First Refusal Subscriber or Retained Subscriber as of the Closing (the amount of any such excess payment being an "Excess Payment"). If and to the extent that Buyer shall make any Excess Payment to Tele-Vue, upon Buyer's written request Tele-Vue shall refund to Buyer the amount of such Excess Payment, together with interest thereon at the Prime Rate for the period from the date of payment to the date of refund.

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Section 4.2 Calculation of Adjustment Amounts. (a) Prior to the Closing Date, TeleVue will determine in good faith its estimates of Closing Date Basic Subscribers ("Estimated Closing Date Basic Subscribers"), the Subscriber Shortfall Amount (the "Estimated Subscriber Shortfall Amount"), the Capital Expenditure Amount (the "Estimated Capital Expenditure Amount"), the Closing Inventory Amount (the "Estimated Closing Inventory Amount"), Closing Working Capital ("Estimated Closing Working Capital"), the Telecom Amount (the "Estimated Telecom Amount"), the Lost Service Subscriber Reduction Amount ("Estimated Lost Service Subscriber Reduction Amount"), if any, the Retained Franchise Reduction Amount ("Estimated Retained Franchise Reduction Amount"), if any, and, if applicable, the Right of First Refusal Adjustments ("Estimated Right of First Refusal Adjustments"). The Estimated Closing Date Basic Subscribers, the Estimated Subscriber Shortfall Amount, the Estimated Capital Expenditure Amount, the Estimated Closing Inventory Amount, Estimated Closing Working Capital, Estimated Lost Service Subscriber Reduction Amount, Estimated Retained Franchise Reduction Amount, the Estimated Telecom Amount and the Estimated Right of First Refusal Adjustments are referred to herein collectively as the "Estimated Adjustment Amounts" and the Closing Date Basic Subscribers, the Capital Expenditure Amount, the Closing Inventory Amount, Closing Working Capital, the Telecom Amount, the Subscriber Shortfall Amount, the Lost Service Subscriber Reduction Amount, the Retained Franchise Reduction Amount and the Right of First Refusal Adjustments are referred to herein collectively as the "Adjustment Amounts." At least (45) days prior to the anticipated Closing Date, TeleVue will deliver to Buyer a statement setting forth its estimates of the Adjustment Amounts as of the anticipated Closing Date set forth in such statement. Such statement shall be for informational purposes only and TeleVue shall not be deemed to have made any representations or warranties as to such statement, except that it was prepared in good faith. At least ten (10) Business Days prior to the anticipated Closing Date, TeleVue will deliver to Buyer a statement setting forth the Estimated Adjustment Amounts, which statement shall: (i) contain the information in reasonable detail required to calculate the Estimated Adjustment Amounts; (ii) be prepared in accordance with the requirements of this Agreement; and (iii) be certified by an authorized officer of TeleVue to be TeleVue's good faith estimate as of the date thereof.

(b) The Purchase Price payable on the Closing Date (the "Estimated Purchase

Price") will be preliminarily calculated and adjusted in accordance with Section 4.1 as if the Estimated Adjustment Amounts set forth on the statement delivered by TeleVue to Buyer pursuant to the last sentence of paragraph (a) of this Section 4.2 were the actual Adjustment Amounts.

(c) Not later than sixty (60) days after the Closing Date, Buyer shall deliver to TeleVue a statement showing Buyer's calculation of the actual Adjustment Amounts (the "Final Certificate"). Buyer shall make available to TeleVue its accountants' work papers and such other information relating to the calculation of the Adjustment Amounts as TeleVue shall reasonably request.

(d) In the event that TeleVue disputes Buyer's calculation of the Adjustment Amounts, TeleVue shall give written notice thereof to Buyer within 30

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days after the Final Certificate was delivered to TeleVue which notice shall set forth the basis for such dispute in reasonable detail (the "Dispute Notice"). The parties shall use all reasonable efforts to resolve any such dispute, but if any such dispute cannot be resolved by the parties within thirty (30) days after the date the Dispute Notice is given, all unresolved disputes shall be referred to an Arbitrating Firm for resolution. The parties shall seek to cause the Arbitrating Firm to make its determination within sixty (60) days after referral of a dispute to it. The determination of the Arbitrating Firm shall be conclusive and binding on each party. The fees of the Arbitrating Firm shall be allocated and paid by TeleVue or Buyer, or divided between them, on a basis determined by the Arbitrating Firm to be fair taking into account the correctness of the positions asserted by each of them with respect to the disputed matters resolved by the Arbitrating Firm.

(e) The Adjustment Amounts shall be the amounts set forth in the Final Certificate unless a Dispute Notice is given with respect to the calculation thereof, in which case only those Adjustment Amounts not in dispute shall be as set forth in the Final Certificate. If a Dispute Notice is given, any Adjustment Amount in dispute shall be deemed finally determined on the date that the Arbitrating Firm gives written notice to Buyer and TeleVue of its determination with respect to all disputes regarding the calculation thereof, or, if earlier, the date on which the TeleVue and Buyer agree in writing on the amounts thereof, in which case any Adjustment Amount in dispute shall be calculated in accordance with such determination or agreement, as the case may be, and the Purchase Price shall be finally calculated in accordance with such calculations as provided in Section 4.1.

Section 4.3 Adjustment Payment. If the Purchase Price as finally determined is greater than the amount of the Estimated Purchase Price, Buyer shall pay to TeleVue on the third Business Day after such determination an amount in cash equal to such excess plus interest thereon from the Closing Date to the date of payment at the Prime Rate, compounded quarterly. If the Purchase Price as finally determined is less than the Estimated Purchase Price, TeleVue shall pay to Buyer on the third Business Day after such determination an amount in cash equal to such deficiency plus interest thereon from the Closing Date to the date of payment at the Prime Rate, compounded quarterly. Payments of cash pursuant to this Section 4.3 shall be made by wire transfer of immediately available funds to an account in the United States designated by the party entitled to payment to the party required to make the payment at least two (2) Business Days prior to the date such payment is due. Any payment pursuant to this Section 4.3 (other than interest) shall be deemed to be an adjustment to the Purchase Price for purposes of this Agreement.

Section 4.4 Proration. Subject to Article III, property taxes and assessments, payroll taxes, utility charges, association dues, rents, pole rentals, applicable franchise, copyright or other fees, sales and service charges, wages and payroll expenses (including accrued vacation pay and sick leave) of Employees of the Cable Group who are employed by Buyer as of the Closing, and other operating income and expenses shall be prorated as of 11:59 p.m. on the Closing Date, but only to the extent such items were not taken into

account in calculating closing Working Capital.

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#### ARTICLE V

##### REPRESENTATIONS AND WARRANTIES OF TELEVUE AND VIACOM

###### A. TeleVue and Viacom represent and warrant to Buyer that:

Section 5.1 Corporate Existence and Power. Each Cable Division Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (ii) is authorized to transact business and is in good standing in each state in which its ownership of assets or conduct of business requires such qualification, and (iii) has all corporate powers required to carry on its business as conducted on the date of this Agreement, with such exceptions to clauses (i), (ii) and (iii) as would not have a Material Adverse Effect or materially and adversely affect the ability of the Cable Group to consummate the Transaction.

Section 5.2 Corporate Authorization. Each Cable Division Subsidiary has the corporate power to own the Acquired Assets owned by it and to operate the Systems operated by it. The execution, delivery and performance by TeleVue of this Agreement, and the consummation by TeleVue of the Transaction are, and the performance by each Remaining Cable Division Subsidiary, if any, of this Agreement and the consummation by such Remaining Cable Division Subsidiary of the Transaction are, or on or before the Closing Date will be, within the corporate powers of TeleVue and such Remaining Cable Division Subsidiary, and, with respect to TeleVue, have been duly authorized by all necessary corporate action on the part of TeleVue, and, with respect to such Remaining Cable Division Subsidiary, have been, or on or before the Closing Date will be, duly authorized by all necessary corporate action on the part of such Remaining Cable Division Subsidiary, and have been or on or before the Closing Date will be, duly authorized by TeleVue's parent and such Remaining Cable Division Subsidiary's parent.

Section 5.3 Governmental Authorization. The execution and delivery of this Agreement by TeleVue, and the performance by the Cable Group of this Agreement, and the consummation by the Cable Group of the Transaction, require no material action by or in respect of, or material filing with, any Governmental Authority other than compliance with any applicable requirements of the HSR Act, the FCC Authorizations and the Local Authorizations and those that may be applicable as a result of the regulatory status of Buyer or its Affiliates.

Section 5.4 Consents. Except as set out in Schedule 5.13, no material consent by any Person under any Material Contract is required or necessary for the execution and delivery of this Agreement by TeleVue, or the performance by the Cable Group of this Agreement, or the consummation by the Cable Group of the Transaction. Except as indicated in Schedules 5.8, 5.13, 5.15 and 6.4, no consent by any Person is required or necessary for the execution and delivery of this Agreement by TeleVue, or the performance by the Cable Group of this Agreement, or the consummation by the Cable Group of the Transaction, with such exceptions as would not have a Material Adverse Effect.

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Section 5.5 Non-Contravention. (a) The execution, delivery and performance of this Agreement by TeleVue, and the consummation by TeleVue of the Transaction, do not, and the performance by each Remaining Cable Division Subsidiary, if any, of this Agreement and the consummation by such Remaining Cable Division Subsidiary of the Transaction do not or on or before the Closing Date will not, (x) contravene the certificate of incorporation or bylaws of



TeleVue or such Remaining Cable Division Subsidiary or (y) result in the imposition of any Lien (other than a Permitted Lien) upon any Acquired Asset pursuant to, or constitute a breach or default (including any event that, with the passage of time or giving of notice, or both, would become a breach or default) under or give rise to a right of termination, cancellation, first refusal or acceleration under any applicable Legal Requirement or any judgment, injunction, order, decree, contract, license, lease, indenture, mortgage, loan agreement or note as to which the Cable Group is a party or by which any of its properties may be bound, the effect of which would be to materially impair the ability of the Cable Group to perform its obligations under this Agreement.

(b) The Cable Group is not in breach or default (including any event that, with the passage of time or giving of notice, or both, would become a breach or default) under any Assumed Contract or contract by which any of the Acquired Assets may be bound, the effect of which would be to impair the ability of the Cable Group in any material respect to operate any System as presently operated.

Section 5.6 Binding Effect. This Agreement has been duly executed and delivered by TeleVue, and this Agreement constitutes a valid and binding obligation of TeleVue, enforceable against TeleVue in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by the principles governing the availability of equitable remedies.

Section 5.7 Financial Statements. The unaudited consolidated balance sheets of the Cable Group at December 31, 1993 and September 30, 1994 and the unaudited consolidated income statements of the Cable Group for the year ended December 31, 1993 and the nine month period ended September 30, 1994 set forth on Schedule 5.7 hereto (the "Financial Statements"), fairly present in all material respects in conformity with GAAP, the financial position of the Cable Group as of the dates thereof and the results of operations of the Cable Group for the periods then ended, except that such Financial Statements omit footnotes (and the disclosure contained therein) and are subject to normal, quarterend and/or yearend adjustments, and the financial information set forth in such unaudited consolidated balance sheet at December 31, 1993 and such unaudited consolidated income statement for the year ended December 31, 1993 was incorporated in the audited consolidated financial statements of Viacom Inc. at and for the year ended December 31, 1993.

Section 5.8 Systems; Local Authorizations and FCC Authorizations. (a)(i) Schedule 5.8 sets forth a complete list for each System of the Local Authorizations (other than any such authorization, approval, certification,

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franchise, license or permit which is not material to the ownership or operation of a System) in effect as of the date of this Agreement and indicates for each System those Local Authorizations requiring the consent of the Local Authority for consummation of the Transaction.

(ii) Each Local Authorization (x) is in all material respects validly held by a Cable Division Subsidiary in accordance with and as required by the terms thereof and according to all applicable Legal Requirements and (y) is in all material respects in full force and effect and has not been revoked or canceled and the applicable Cable Division Subsidiary is in material compliance therewith. To the knowledge of TeleVue, no proceeding to revoke, cancel or modify in any manner any such Local Authorization has been initiated or threatened in writing, except such as has been disclosed to Buyer in writing prior to the date of this Agreement. The Cable Group has timely filed all 626 Letters required to be filed in connection with renewal of Local Authorizations.

(iii) Except as otherwise indicated on Schedule 5.8, (aa) Schedule 5.8 sets forth a list, for each Franchise Area, of the date (or, if applicable, the range of possible expiration dates) of expiration of each material Local Authorization with respect thereto; (bb) no other material Local Authorization is required by law in connection with the operation and maintenance of the Systems; and (cc) to

the knowledge of TeleVue, (x)there are no operating cable television systems (other than the Systems) providing cable television programming to a material number of households in the Franchise Area and (y)no entity has been awarded a valid cable television franchise which enables such entity to provide cable television service to a material number of households in the Franchise Area.

(b) Schedule 5.8 contains a complete list as of the Cable Group's accounting cutoff date ending immediately prior to September 30, 1994, with respect to each System, of (i)the number of Basic Subscribers as shown on the System's monthly subscriber report, (ii)the number of pay customers by each pay service as shown in the Cable Group's records, (iii)the approximate length of installed plant, and (iv)the approximate number of Homes Passed.

(c) Schedule 5.8 contains a complete list of all FCC Authorizations in effect as of the date hereof.

(d) (i)No System is in material violation of and the Cable Group has not received written notice of any claimed violation of, any FCC Authorization. (ii)Each such FCC Authorization is validly existing and in full force and effect in all material respects. (iii)Each System has all material FCC Authorizations required for its operation of the Systems. To the knowledge of TeleVue, no proceeding to revoke, cancel or modify in any manner any such FCC Authorization has been initiated or threatened in writing and the applicable member of the Cable Group is in material compliance with all such FCC Authorizations.

(e) Schedule 5.8 sets forth the Basic Subscriber Rate for each Franchise Area as of the date indicated therein.

Section 5.9 Absence of Changes. Except as described in Schedule5.9, since the Balance Sheet Date, the Cable Group has operated the Business in the

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ordinary course, consistent with past practices, and there have been no changes in the Business which, individually or in the aggregate, have resulted in a Material Adverse Effect.

Section 5.10 Subsidiaries. At the date of this Agreement, (a)all Cable Division Subsidiaries (other than TeleVue) are whollyowned Subsidiaries of TeleVue and (b)TeleVue is a whollyowned Subsidiary of Viacom Inc.

Section 5.11 Assets. The Cable Group has good and, subject to Permitted Liens, marketable title to, or a valid leasehold or license interest in, all tangible assets purported to be owned, leased or licensed by the Cable Group, including, without limitation, all Inventory, Real Property and Equipment, free and clear of all Liens other than Permitted Liens. The bill of sale set forth in ExhibitG is sufficient to transfer to Buyer good and, subject to Permitted Liens, marketable title to the PVIT Assets. The Acquired Assets, the Nashville Local Authorizations and the PVIT Assets are in all material respects sufficient to operate the Business as currently conducted. The Cable Division Subsidiaries hold all cable television franchises that Viacom Inc. or any Subsidiary of Viacom Inc. holds, except for the Nashville Local Authorizations. Except for the Excluded Assets, the Acquired Assets, the Nashville Local Authorizations and the PVIT Assets constitute all material operating assets owned, leased or licensed by Viacom Inc. or any of its Subsidiaries and used primarily in the Cable Television Business of Viacom Inc. and its Subsidiaries. Any asset owned by Viacom Inc. or any Subsidiary of Viacom Inc. which is primarily used in the Business but is not held by the Cable Group on the date hereof will be transferred to the Cable Group on or before the Closing.

Section 5.12 Intellectual Property. To the knowledge of TeleVue, the conduct of the Business does not infringe upon the patents, trademarks, trade names or other intellectual property rights of any Person, with such exceptions as would not result in a Material Adverse Effect.

Section 5.13 Material Contracts. (a)Schedule 5.13 lists all Material

Contracts in effect on the date of this Agreement. The Cable Group has caused to be made available to the Buyer or its representatives true and complete copies of the Material Contracts.

(b) Except as disclosed in Schedule 5.13, the Cable Group is not in material default or breach of any Material Contract and, to the knowledge of TeleVue, (i) there exists no state of facts which after notice or lapse of time or both would constitute such a material default or breach and (ii) no other party to such Material Contract is in default or breach thereunder.

(c) Except as set forth on Schedule 5.13, the real property and personal property which are the subject of leases that constitute Assumed Contracts are currently used in the construction, operation or maintenance of the Business or constitute Telecom Agreements.

Section 5.14 Litigation. Except as set out in Schedule 5.14, there are no actions, suits or proceedings pending and, to the knowledge of TeleVue, there are no claims, grievances, governmental investigations, actions, suits or proceedings threatened, against or affecting the Cable Group with respect to the Business at law or in equity or before or by any Governmental Authority, or before or by an arbitrator or arbitration board which would have a Material Adverse Effect. Except as set out in Schedule 5.14, there are no judgments,

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decrees or orders outstanding against the Cable Group with respect to the Business or any System.

Section 5.15 Compliance with Legal Requirements. Except as set forth on Schedule 5.15, (i) the Cable Group is in compliance with all applicable Legal Requirements and (ii) the Business is being conducted in compliance with all applicable Legal Requirements, with such exceptions to clauses (i) and (ii) as would not have a Material Adverse Effect.

Section 5.16 Employees.

(a) Employment Agreements. Schedule 5.16 contains a list of all written employment agreements between the Cable Group and Employees. The consummation of the Transaction will not result in Buyer becoming obligated to make any severance payments, or to accrue any severance costs with respect to any NonAcquired Employee.

(b) Collective Agreements. Except as set out in Schedule 5.16, the Cable Group is not a party to any material labor or employment dispute and is not bound by or a party to any collective bargaining agreement relating to Employees and no trade union, council of trade unions, employee bargaining agent or affiliated bargaining agent for any of the Employees (i) holds bargaining rights with respect to any of Employees by way of certification, interim certification, voluntary recognition, designation or successor rights; or (ii) has, to the knowledge of TeleVue, applied or indicated an intention to apply to be certified as the bargaining agent of any of the Employees.

(c) Employee Benefit Plans/ERISA. (i) Schedule 5.16 lists each stock option, stock purchase, disability, vacation pay, incentive, bonus, severance pay, deferred compensation, supplemental income or other employee benefit plan, policy or arrangement or agreement and each other "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained by or contributed to by the Cable Group, including all amendments thereto (collectively referred to as "Benefit Plans"), covering current or former employees or dependents or survivors of employees or former employees of the Cable Group. Summaries of each Benefit Plan have been provided to Buyer.

(ii) Each Benefit Plan is in substantial compliance with all applicable laws and regulatory requirements, and has been administered substantially in accordance with its terms. Having made due inquiry of Viacom Inc., TeleVue knows

of no circumstances likely to result in the denial or revocation of taxqualification of any Benefit Plan intended to be taxqualified under Section 401(a) of the Code. No material liabilities, other than for payment of benefits in the ordinary course, have been incurred nor, to the knowledge of TeleVue (having made due inquiry of Viacom Inc.), do any facts exist which are reasonably likely to result in any material liability (whether or not asserted as of the date hereof) of the Cable Group arising by virtue of any event, act or omission occurring prior to the Closing Date with respect to any Benefit Plan. To the knowledge of TeleVue (having made due inquiry of Viacom Inc.) no liens under Code Section 412(n) or ERISA Section 4068(a) nor liabilities under ERISA Section 4069(a) or Section 4201(a) exist with respect to any employee benefit plan (within the meaning of Section 3(a) of ERISA) of the Cable Group or any

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member of an ERISA affiliated group (as defined under Section 414(b), (c) and (m) of the Code) which would have a Material Adverse Effect on the Acquired Assets, nor do any facts exist which are reasonably likely to result in the assertion of such liens or liabilities.

(d) Immigration. The Cable Group has in all material respects properly verified the identity and authorization to work in the United States and has completed and retained INS forms I-9 for all Acquired Employees where required by the Immigration Reform and Control Act of 1986 and related statutes. TeleVue has made available to Buyer true and complete copies of such forms.

Section 5.17 Finders' Fees. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Cable Group, any Cable Division Subsidiary or any of their Affiliates who might be entitled to any fee or commission from Buyer or any of its Affiliates in connection with the execution, delivery or performance of this Agreement or the Transactions.

Section 5.18 Real Property. (a) Schedule 5.18 lists the address of each parcel of Owned Real Property.

(b) Except as set forth in Schedule 5.18, all Owned Real Property is used or useful in the Business.

(c) The Cable Group has possession and the right to occupy the real property which is the subject of each lease of Leased Real Property that constitutes a Material Contract.

(d) The Cable Group has not received written notice from any party to any instrument affecting any material parcel of Real Property that such party intends to terminate or cancel the same, with such exceptions as would not be reasonably expected to have a Material Adverse Effect.

Section 5.19 Environmental Matters. There is no past or present event, condition or circumstance (i) which constitutes a material violation by the Cable Group of any Legal Requirements now in effect relating to pollution or protection of the environment from contamination, including any material Legal Requirements relating to the use, treatment, storage, disposal, transport or handling of, or the spill, deposit, emission, discharge, release or threatened release of, contaminants, substances, wastes or pollutants, including petroleum and "hazardous substances" as that term is defined under the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA") (collectively, "Hazardous Materials"), into the environment or (ii) which has or will give rise to any material liability of the Cable Group, including any material liability under CERCLA or other similar state law, based on, arising out of or related to the use, treatment, storage, disposal, transport of, or handling or the spill, deposit, emission, discharge, release or threatened release of, any Hazardous Material into the environment; provided that the representations in this Section 5.19, insofar as they apply to the underground storage tanks listed on Schedule 5.19, shall apply without any limitation as to materiality. Attached hereto as Schedule 5.19 is a true and correct list of all

underground storage tanks located on the Real Property. TeleVue has delivered to Buyer copies of the most recent tank test reports relating to such tanks.

Section 5.20 FCC and Copyright. (a) The Cable Group is in compliance with the Rules and Regulations concerning Cumulative Leakage Index, as defined by the Rules and Regulations.

(b) The Cable Group has made all material submissions (including, without limitation, registration statements) required under the Communications Act applicable to the conduct and operation of the Business and the Systems. The Cable Group and the Systems are in compliance in all material respects with the Communications Act. The Cable Group has provided all material notices to subscribers and maintained in all material respects all public files required under the Communications Act. Except as set forth in Schedule 5.20, the Cable Group is certified as in compliance with the FCC's equal employment opportunity rules to the extent required to be so certified under such rules. Each System is in material compliance with all "must carry" requirements and has received all retransmission consents, except such as are being contested.

(c) The Cable Group has deposited with the United States Copyright Office all statements of account and other documents and instruments, and paid all royalties, supplemental royalties, fees and other sums to the United States Copyright Office required under the Copyright Act with respect to the business and operations of each System as are sufficient to obtain, hold and maintain the compulsory copyright license for cable television systems prescribed in section 111 of the Copyright Act.

(d) The Cable Group and each System are in compliance in all material respects with the Copyright Act, except as to potential copyright liability arising from the performance, exhibition or carriage of any music on each System. The Cable Group and each System are entitled to hold and do now hold the compulsory copyright license described in section 111 of the Copyright Act.

Section 5.21 Taxes. (a) All Taxes with respect to all taxable periods or portions thereof ending on or before the Closing for which TeleVue and any of the other Cable Division Subsidiaries are or could be liable have been duly paid, collected or withheld and remitted to the appropriate governmental agency (or to other persons or entities (for example, under tax allocation agreements)), except for any such Taxes not yet delinquent and any such Taxes which, if not paid, collected, or withheld and remitted would not result in a Lien on the Acquired Assets which would remain after consummation of the Transaction or result in transferee liability on the part of Buyer.

(b) None of the Acquired Assets is required to be treated as owned by any person other than TeleVue or a Cable Division Subsidiary pursuant to a so-called safe harbor lease under the provisions of former Section 168(f)(8) of the Code which Buyer is required to assume pursuant to this Agreement.

(c) Neither TeleVue nor any other Cable Division Subsidiary is a "foreign person" within the meaning of Section 1445 of the Code.

Section 5.22 Telecom Capital Expenditures. As of September 30, 1994, the portion of the Telecom Capital Expenditure Amount expended prior thereto did not exceed \$7 million.

Section 5.23 Reorganizations. The Reorganizations will not have a Material Adverse Effect or prevent or substantially delay the consummation of the Transaction or result in any cost to Buyer that is not reimbursable by TeleVue.

Section 5.24 Accounts Receivable, Net. The allowance for customer doubtful accounts as of the Closing will be in an amount not less than the total of all disconnected subscriber account balances, all amounts billed to subscribers for unrecovered converters and all accounts receivable aged over 120 days from the invoice or billing date, determined on a basis consistent with the Financial Statements.

B. TeleVue and Viacom acknowledge and agree with Buyer that Buyer shall be entitled to rely upon each and every representation and warranty set forth in this Agreement notwithstanding that Buyer has conducted its own investigation of the Acquired Assets and each System and that Buyer may have received information that suggests that a representation or warranty is untrue, inaccurate or incomplete.

C. Buyer hereby acknowledges and agrees with TeleVue and Viacom as follows:

NO OTHER REPRESENTATIONS OR WARRANTIES. THE ACQUIRED ASSETS ARE BEING SOLD ON AN "AS IS" "WITH ALL FAULTS" BASIS, AND EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE V AND IN ARTICLE XV HEREOF, TELEVUE AND ITS AFFILIATES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WRITTEN OR ORAL, AND TELEVUE, AND ITS AFFILIATES HEREBY DISCLAIM ANY SUCH REPRESENTATION OR WARRANTY (INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE), WHETHER BY TELEVUE, ITS AFFILIATES, OR ANY OF THEIR AGENTS OR REPRESENTATIVES OR ANY OTHER PERSON, WITH RESPECT TO THE CABLE GROUP, THE ACQUIRED ASSETS OR THE SYSTEMS OR THE EXECUTION AND DELIVERY OF THIS AGREEMENT OR THE TRANSACTION, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO BUYER, ANY AFFILIATE OF BUYER OR ANY OF THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OR ANY OTHER PERSON OF ANY DOCUMENT OR OTHER INFORMATION BY THE CABLE GROUP, ANY OF ITS AFFILIATES, OR ANY OF THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES OR ANY OTHER PERSON WITH RESPECT TO ANY ONE OR MORE OF THE FOREGOING.

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#### ARTICLE VI

##### REPRESENTATIONS AND WARRANTIES OF BUYER AND INTERMEDIA

Buyer and InterMedia represent and warrant to TeleVue that:

Section 6.1 Partnership Existence and Power. Buyer is a limited partnership duly organized, validly existing and in good standing under the laws of the state of California, and is authorized to transact business and is in good standing in each state in which its ownership of assets or conduct of business requires such qualification, and has all partnership powers required to carry on its business as now conducted, with such exceptions as would not materially and adversely affect the ability of Buyer to consummate the Transaction.

Section 6.2 Partnership Authorization. The execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the Transaction are within Buyer's partnership powers and have been duly authorized by all necessary partnership action on the part of Buyer.

Section 6.3 Governmental Authorization. The execution, delivery and performance by Buyer of this Agreement, and the consummation by Buyer of the Transaction, require no material action by or in respect of, or filing with, any governmental body, agency, official or authority other than compliance with any applicable requirements of the HSR Act, the FCC Authorizations, and the Local Authorizations and filing the application for, and receipt of, the FCC Certificate.

Section 6.4 Consents. Except as set out in Schedule 6.4, no consent by any Person under any contract to which Buyer is a party or to which its assets are subject is required or necessary for the execution, delivery and performance by

Buyer of this Agreement or the consummation by Buyer of the Transaction, with such exceptions as would not materially and adversely affect the ability of Buyer to consummate the Transaction.

Section 6.5 Non-Contravention. The execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the Transaction does not and will not (x)contravene the certificate of limited partnership or agreement of limited partnership of Buyer or (y)result in a, or constitute a breach or default (including any event that, with the passage of time or giving of notice, or both, would become a breach or default) under any applicable Legal Requirement or any judgment, order, decree, contract, license, lease, indenture, mortgage, loan agreement or note, as to which Buyer is a party or by which any of its properties may be bound, the effect of which would materially impair the ability of Buyer to perform its obligations under this Agreement.

Section 6.6 Binding Effect. This Agreement has been duly executed and delivered by Buyer and this Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by the principles governing the availability of equitable remedies.

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Section 6.7 No Violations of FCC Cross Ownership Rules. Assuming Buyer were now in control of the Systems, Buyer would not be in violation of any FCC restrictions regarding the ownership of competing media and related businesses that impact the ability of Buyer to own the Systems.

Section 6.8 FCC Certificate. Having made due inquiry, to the best of Buyer's and InterMedia's knowledge and belief, Buyer and RCS Nashville, L.P. are "minority controlled" as that term is defined in the FCC's Statement of Policy on Minority Ownership of Broadcasting Facilities, 68 FCC 2d 979 (1978) and Commission Policy Regarding the Advancement of Minority Ownership in Broadcasting, 92 FCC 2d 849 (1982) and subsequent decisions of the FCC prior to the date hereof interpreting such policies, such that TeleVue and any Cable Division Subsidiary that sells Acquired Assets as contemplated hereby shall be entitled to apply for and receive an FCC Certificate. Buyer and its Affiliates will file with the FCC an application for an FCC Certificate which discloses all material information relevant to obtaining an FCC Certificate (including, without limitation, information regarding any proposed transfers by Buyer of Acquired Assets), and all information in such application insofar as it relates to Buyer and its Affiliates and the Transaction and is provided by Buyer or any of its Affiliates shall be true and correct in all material respects.

Section 6.9 Finders' Fees. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer or any of its Affiliates who might be entitled to any fee or commission from the Cable Group or any of its Affiliates in connection with the execution, delivery or performance of this Agreement or the Transactions.

Section 6.10 Limited Partner Guaranty. The Limited Partner Guaranty has been duly executed and delivered by Guarantor and constitutes, and on the Closing Date shall constitute, a valid and binding obligation of Guarantor enforceable against Guarantor in accordance with its terms.

Section 6.11 First Pledge Agreement. If the Guarantor defers payment of the Deferred Amount (as defined in the Limited Partner Guaranty) pursuant to Section1(c) of the Limited Partner Guaranty, the First Pledge Agreement will be duly executed and delivered by Guarantor at the time it is required to be executed and delivered and at such time will constitute a valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms.

Section 6.12 Value Guarantee Agreement. If payment of a portion of the

Purchase Price is to be deferred pursuant to Section 12.2(b)(i), at the Closing the Value Guarantee Agreement shall have been duly executed and delivered by Guarantor and Buyer and shall on the Closing Date constitute a valid and binding obligation of Guarantor and Buyer enforceable against Guarantor and Buyer in accordance with its terms.

Section 6.13 Second Pledge Agreement. If payment of a portion of the Purchase Price is to be deferred pursuant to Section 12.2(b)(i), at the Closing the Second Pledge Agreement shall have been duly executed and delivered by Buyer

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and shall on the Closing Date constitute a valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.

Section 6.14 Note. If payment of a portion of the Purchase Price is to be deferred pursuant to Section 12.2(b)(i), at the Closing the Note shall have been duly executed and delivered by Buyer and shall on the Closing Date constitute a valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.

## ARTICLE VII

### COVENANTS OF TELEVIEWUE

TeleVue agrees and covenants with Buyer that:

Section 7.1 Conduct of the Business. Subject to Sections 7.2 and 8.5, and except for (x) any change described in clause (a), (b) or (c) of the definition of Material Adverse Effect and (y) compliance with the Cable Group's obligations under this Agreement, from the date hereof until the Closing Date, TeleVue shall cause the Business to be conducted only in the ordinary course consistent with past practices. Without limiting the generality of the foregoing, TeleVue shall not, and shall not permit any of the other Cable Division Subsidiaries to, do any of the following, without the consent of Buyer:

- (i) increase the Basic Subscriber Rate or any other rate regulated pursuant to the Communications Act without the consent of Buyer, provided that such consent by Buyer shall not be unreasonably withheld.
- (ii) materially amend or, other than in accordance with its terms, terminate, any Material Contract;
- (iii) enter into any written employment agreement providing for a term of employment other than as an employee at will, except as disclosed to Buyer prior to the date of this Agreement;
- (iv) increase the rate of compensation or bonus payments to any employee of the Cable Group, except in the ordinary course of business and except for bonus payments in conjunction with this Transaction where the cost is borne by TeleVue; and
- (v) sell or dispose of tangible assets relating to the Business (other than Excluded Assets) except for sales or dispositions of assets in the ordinary course of business, provided that such assets (other than assets listed as vacant land on Schedule 5.18) are replaced with other assets in the ordinary course of business.

Section 7.2 Telecom Partnerships. Prior to the Closing Date, TeleVue shall make or cause to be made, when due and payable, all capital contributions

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required to be made by any Cable Division Subsidiary under the Telecom Partnership Agreements. TeleVue agrees to use commercially reasonable efforts prior to the Closing to formalize and enter into agreements with each Telecom Partnership covering the lease, license or use by such Telecom Partnership of the plant, property and equipment of the Cable Group relating to capital expenditures covered by the definition of Telecom Capital Expenditure Amount, to the extent such lease, license or use is not otherwise covered by the Telecom Agreements.

Section 7.3 Access to Information; Confidentiality. TeleVue will give Buyer, its counsel, financial advisors, accountants and other authorized representatives reasonable access during normal business hours to the offices, properties, books and records of the Cable Group, and will furnish to Buyer, its counsel, financial advisors, accountants and authorized representatives such financial and operating data and other information as such Persons may reasonably request. Prior to the Closing, Buyer shall, and shall cause its Affiliates, and its and their respective officers, directors, employees, attorneys, financial advisors, accountants, authorized representatives and agents (collectively, "Agents"), to keep secret and retain in strictest confidence any and all confidential information relating to the Business or the Systems or otherwise not available to the general public (provided that such confidential information shall not include any information that (i) has become generally available to the public other than as a result of a disclosure by Buyer, its Affiliates or its Agents, (ii) has been independently developed by Buyer or such Affiliate of Buyer or (iii) was available to Buyer or an Affiliate of Buyer on a nonconfidential basis from a third party having no obligation of confidentiality to TeleVue or any Affiliate of TeleVue and which has not itself received such information directly or indirectly in breach of any such obligation of confidentiality), and shall not disclose such confidential information, and shall cause its Affiliates and Agents not to disclose such confidential information, to any Person other than Buyer, its Affiliates, or their respective Agents who have a need to know such confidential information, except as may be required by law or legal process (in which event Buyer shall so notify TeleVue as promptly as practicable (and if possible, prior to making such disclosure) and, if requested by TeleVue, shall seek confidential treatment of such information).

Section 7.4 Additional Financial Statements and Reports. As soon as available, TeleVue shall furnish Buyer with a consolidated balance sheet and related statement of income of the Cable Group for all fiscal quarters ending after September 30, 1994 but prior to the Closing Date certified by the Chief Financial Officer to present fairly in all material respects in conformity with GAAP, the financial position and results of operations of the Cable Group at and for the fiscal quarter then ended, except to the extent that such unaudited financial statements omit footnotes (and the disclosure contained therein) and are subject to normal quarterend and/or yearend adjustments. Promptly following filing with the Securities and Exchange Commission ("SEC"), TeleVue shall deliver copies of each Annual Report on Form 10K, Quarterly Report on Form 10Q, Current Report on Form 8K and definitive proxy statement filed by Viacom Inc. or Viacom International Inc. with the SEC (in each case without exhibits) and each prospectus of Viacom Inc. or Viacom International Inc. filed with the SEC under the Securities Act of 1933 (other than any prospectus related to securities offered to employees). Promptly after the preparation thereof, TeleVue will deliver to Buyer (a) copies of (i) each final monthly profit and loss statement for the Business, (ii) each final monthly capital spending statement for the

Business, and (iii) final monthly customer reports for the Business showing number of limited, tier and premium households and (b) to the extent that any statement referred to in clause (a) (i), (a) (ii) or (a) (iii) above is available on a System or combined System basis, copies of such statement or report on such basis; provided, however, that TeleVue does not and shall not be deemed to have made any representations or warranties as to any such statement or report.

Section 7.5 Nashville Franchise. Prior to or at the Closing, all Local

Authorizations relating to the Nashville System held by or granted to Viacom (the "Nashville Local Authorizations") will be transferred to, or renewed in the name of, TeleVue. Notwithstanding any provision of this Agreement, the fact that such Local Authorizations are in the name of Viacom prior to the Closing shall not constitute a breach of any provision hereof.

Section 7.6 Material Adverse Changes. TeleVue shall promptly notify Buyer in writing of any material adverse developments affecting any System which become known to TeleVue, including, without limitation: (a) any material adverse change in the condition, financial or otherwise, of any System; (b) any material damage, destruction or loss (whether or not covered by insurance) adversely affecting any Acquired Asset or material to any System; (c) any material notice of violation, forfeiture or complaint under any Local Authorization; or (d) anything which, if not corrected prior to the Closing Date, will prevent TeleVue from fulfilling any condition precedent described in Article IX.

Section 7.7 Taxes. (a) TeleVue agrees to timely file or cause to be timely filed all sales or transfer Tax Returns required to be filed by it or any other Cable Division Subsidiary with respect to sales, including the Transaction, occurring in connection with the Acquired Assets on or before the Closing Date to the extent that the failure to do so would give rise to a liability of Buyer or a Lien (other than Permitted Liens) on the Acquired Assets which would remain after the consummation of the Transaction. Any such Tax Returns with respect to the Transaction as to which Buyer shares Tax liability under Section 8.7 shall not be filed without Buyer's written approval, not to be unreasonably withheld, which shall be deemed given on the tenth Business Day after Buyer's receipt of a copy of such return, unless prior to such tenth Business Day Buyer notifies TeleVue that it approves or disapproves such return; provided, however, that if TeleVue and Buyer are unable to agree upon the manner in which the Tax Return is to be prepared, any dispute shall be resolved by an Arbitrating Firm.

(b) TeleVue shall not make, and shall not permit any of the Cable Division Subsidiaries to make, new elections with respect to Taxes, or any changes in current elections with respect to Taxes, affecting the Acquired Assets after the date of this Agreement if such elections would have a significant adverse effect on the liability of Buyer for Taxes after the Closing without the prior written consent of Buyer, which consent shall not be unreasonably withheld.

(c) TeleVue shall furnish Buyer affidavits pursuant to Section 1445(b)(2) of the Code in the form of Exhibit D attached hereto, stating, under penalty of perjury, that it and any Remaining Cable Division Subsidiary is not a foreign person.

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Section 7.8 Local Authorization and Material Contract Amendments. (a) TeleVue agrees to assist Buyer in obtaining modifications, renewals or extensions of the terms of Local Authorizations, as necessary to the extent TeleVue determines that such modification, renewal or extension will not have an adverse effect on the transfer of such Local Authorization, so that all will have unexpired terms for at least five (5) years at the Closing Date; provided that such renewals or extensions shall be upon terms reasonably satisfactory to Buyer and TeleVue.

(b) TeleVue agrees to consider in good faith any request by Buyer that TeleVue seek to amend a Material Contract, and TeleVue will, at Buyer's expense, seek to amend such Material Contract on the terms requested by Buyer so long as both such amendment and seeking such amendment would not in TeleVue's good faith opinion have any adverse effect on the Cable Group or TeleVue's ability to consummate the Reorganization or the Transaction.

Section 7.9 Reorganizations. Unless and to the extent that TeleVue waives the condition precedent set forth in Section 10.8(b), TeleVue agrees to use its best efforts (a) to consummate the Reorganizations promptly following satisfaction of the conditions precedent set forth in Sections 10.7(b) and 10.8(a), and (b) to obtain all Local Authorizations, FCC Authorizations and other

consents by Governmental Authorities necessary or in the reasonable opinion of TeleVue desirable in connection with the consummation of the Reorganizations.

Section 7.10 Noncompetition. If the Closing occurs, so long as Buyer, InterMedia or Guarantor owns and operates a cable television system in any Franchise Area (determined as of the Closing Date), TeleVue agrees that from and after the Closing until the third anniversary of the Closing Date, TeleVue and Viacom shall not, and Viacom shall not permit any Subsidiary of Viacom Inc. to, (x)directly engage in Cable Television Business in any such Franchise Area in the Territory or (y)indirectly engage in Cable Television Business in any such Franchise Area in the Territory through ownership of an equity interest in any Disqualified Person. For purposes of the preceding sentence (i) Viacom and its Subsidiaries shall not be deemed to be engaged in Cable Television Business as a result of the ownership of 10% or less of the equity interests of any Person (including, without limitation, the acquisition of TCI ClassA Common pursuant hereto) and (ii) no Person shall be deemed to be a Disqualified Person until the first anniversary of the later of (a)the date Viacom Inc. and its Subsidiaries own in excess of 10% of the equity interests of such Person and (b) the date such Person becomes a Disqualified Person. The "Territory" shall consist, at any time, of all Franchise Areas (determined as of the Closing Date) in which Buyer owns and operates a cable television system at such time, provided that any Retained Franchise Area and Right of First Refusal Franchise Area shall not in any event be deemed to be part of the Territory unless and until the Deferred Closing Date, if any, with respect to such Retained Franchise Area or Right of First Refusal Franchise Area, as the case may be. A "Disqualified Person" shall mean a Person, (i)25% or more of whose revenues are derived from Cable Television Business within the Territory or (ii)whose Cable Television Business has active plant passing 100,000 or more of the homes in the Franchise Areas in the Territory, taken as a whole.

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Section 7.11 Telecom Partnership Leases. TeleVue will use reasonable commercial efforts to cause each Telecom Partnership to enter into leases with respect to its communications plant as required by the Telecom Partnership Agreements.

Section 7.12 IRS Ruling. As promptly as reasonably practicable after the signing of this Agreement, TeleVue shall use its reasonable commercial efforts to attempt to arrange a pre-filing conference with the IRS regarding a request for a ruling or rulings meeting the requirements of Section 10.7(b). Unless TeleVue determines in good faith that a ruling satisfying the requirements of Section10.7(b) will not be issued, TeleVue shall file a request for such ruling or rulings as promptly as reasonably practicable after such conference. TeleVue shall diligently and in good faith pursue obtaining such ruling or rulings, including responding as promptly as reasonably practicable to IRS requests concerning, without limitation, facts or law. To the extent TeleVue determines in good faith, based upon conversations with the IRS, that the originally requested ruling or rulings will not be obtained, TeleVue shall in good faith make reasonable modifications to such request; provided, however, that TeleVue shall not be required to make any modifications that would result in the requested ruling or rulings not satisfying the requirements of Section 10.7(b).

#### ARTICLE VIII

#### OTHER COVENANTS

Section 8.1 HartScottRodino. As soon as practicable (and in any event within 10 Business Days after the date of this Agreement), if required by applicable Legal Requirements, TeleVue and Buyer shall complete and file, or cause to be completed and filed, any notification and report required to be filed under the HSR Act. Each of the parties will promptly take or cause to be taken any additional action that may be necessary, proper or advisable, will cooperate to prevent inconsistencies between their respective filings and will furnish to each other such necessary information and reasonable assistance as

the other may reasonably request in connection with its preparation of necessary filings or submissions under the HSR Act. Buyer and TeleVue shall use commercially reasonable efforts (including the filing of a request for early termination) to obtain the early termination of the waiting period under the HSR Act.

Section 8.2 Efforts; Filing and Consents.

(a) General. Each of TeleVue and Buyer agrees to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary or advisable to consummate and make effective as promptly as practicable the Transaction and to cooperate with the other party in connection with the foregoing, including using its reasonable commercial efforts:

(i) to obtain all Local Authorizations (but without TeleVue being required to provide any consideration therefor);

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(ii) to obtain (but without TeleVue being required to provide any consideration therefor) all necessary consents from other parties to Material Contracts;

(iii) to obtain (but without TeleVue being required to provide any consideration therefor) all consents, actions and authorizations that are required to be obtained under applicable Legal Requirements in order to consummate the Transaction;

(iv) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the Transaction;

(v) to effect all necessary registrations and filings and submissions of information requested by Governmental Authorities;

(vi) to obtain the FCC Certificate (including, in the case of Buyer and InterMedia, making reasonable commercial modifications to any agreements or arrangements of Buyer or any of its direct or indirect partners); and

(vii) to fulfill all conditions to this Agreement.

Each of TeleVue and Buyer further agrees, with respect to a threatened or pending action seeking a preliminary or permanent injunction or other order, decree or ruling or statute, rule, regulation or executive order that would adversely affect the ability of the parties to consummate the Transaction, to use its best efforts to prevent the entry, enactment or promulgation thereof, as the case may be.

(b) Antitrust Matters. In furtherance and not in limitation of the foregoing, Buyer and TeleVue shall use their reasonable commercial efforts to resolve such objections, if any, as may be asserted with respect to the Transaction under any antitrust or trade regulatory laws of any government or Governmental Authority ("Antitrust Laws"). If any such objection is made or any suit is instituted challenging any part of the Transaction as violative of any Antitrust Law, Buyer and TeleVue shall use reasonable commercial efforts to take such reasonable action as may be required, as the case may be:

(i) by the applicable government or Governmental Authority (including, without limitation, the FCC, DOJ or FTC) in order to promptly resolve such objections as such government or authority may have to such transactions under such Antitrust Law; or

- (ii) by any court or similar tribunal, in any suit brought by a private party or Governmental Authority challenging the transactions contemplated hereby as violative of any Antitrust Law, in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order

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that has the effect of preventing the consummation of any of such transactions.

Each of TeleVue and Buyer shall promptly inform the other of any material communication from the FCC, DOJ or FTC or any other Governmental Authority regarding any matter related to the Antitrust Laws as they bear upon the Transaction. If either TeleVue or Buyer receives a request for additional information or documentary material (including without limitation a Second Request) from any Governmental Authority with respect to the Transaction, such party will, after consultation with the other, supply any such requested information or documentary material as promptly as practicable (it being understood that this obligation does not preclude a party from negotiating with such Governmental Authority regarding the scope of and content of such requested information provided such negotiations are conducted as promptly as practicable).

(c) Consents Process. TeleVue and Buyer shall use their best efforts (including, without limitation, by attendance at FCC or state regulatory hearings, City Council or similar or related meetings and hearings before state, local and county administrative bodies, by giving the other reasonable notice of the time and date of such meetings and hearings and by responding promptly to any requests by Governmental Authorities) to apply for and obtain, and shall cooperate and assist one another in applying for and obtaining, all requisite consents, actions and authorizations (including ordinances or resolutions approving transfers) of Governmental Authorities (the "Regulatory Approvals") required to be received by or on the part of TeleVue or Buyer in order to consummate the Transaction. Without limiting the foregoing, in respect of all such applications for such Regulatory Approvals:

- (i) TeleVue shall coordinate the efforts to obtain the necessary consents of the Local Authorities. In this role, TeleVue shall submit all filings required by the Local Authorities after Buyer has reviewed and approved the same. Buyer will be responsible for negotiating with the Local Authorities the form of the Local Authorizations, which will be provided to TeleVue for its prior review and approval.
- (ii) Buyer will coordinate the effort to obtain all FCC Authorizations.
- (iii) Form 394's (which shall include all information required by the Local Authorities including pro forma and price allocations if required or requested) shall be completed by Buyer for each franchise, as identified in Schedule 5.8, as requiring consent. The Form 394's shall be in form and substance acceptable to TeleVue and delivered to TeleVue within twenty (20) Business Days from the date hereof. TeleVue shall be responsible for the filing of the Form394's.
- (iv) After the Form 394's are filed, Buyer shall respond to all lawful requests from Local Authorities for additional information as soon as reasonably practicable after the receipt of such request. If the Buyer receives requests which it deems to be unlawful, Buyer shall use its best efforts to seek to resolve the issues with the Local Authorities as soon as practicable. If a resolution cannot be reached within this time

frame, TeleVue and Buyer will agree upon appropriate administrative or judicial procedures to achieve such a clarification.

- (v) TeleVue shall consult with Buyer in connection with proceedings relating to any renewal of a Local Authorization, and, insofar as TeleVue is concerned, Buyer may participate in such proceedings, subject to TeleVue's control. Buyer agrees to accept the Local Authorizations on their terms existing and in effect as of the date of this Agreement, with such changes in the case of Local Authorizations that are renewed prior to the Closing as are not materially adverse to Buyer.
- (vi) The Cable Group shall not be obligated to agree, nor shall Buyer make any representation to Local Authority that the Cable Group would agree to any continuing obligation under any Local Authorization as a condition of any consent or approval to the consummation of the Transaction.
- (vii) Buyer and TeleVue shall each be responsible for its own outofpocket costs incurred in applying for and obtaining all of the Regulatory Approvals; provided, however that Buyer and TeleVue shall each be solely responsible for the cost and the implementation of all commitments to which they have agreed, respectively in respect of such consents, actions and authorizations referred to above.
- (viii) Buyer and TeleVue shall provide each other with informal weekly progress reports with respect to the status of obtaining the Regulatory Approvals consisting of such information as the parties may from time to time reasonably request.
- (ix) Buyer and TeleVue shall provide to each other copies of all correspondence between any franchising authority, the FCC, any federal, city, state or local Governmental Authority or regulatory body having jurisdiction and their respective agents and advisers in connection with the Regulatory Approvals and the sender of such correspondence will provide to the other a copy in advance of its sending.
- (x) If any regulatory or judicial proceeding arises from a dispute relating to the process of obtaining the Regulatory Approvals, TeleVue shall have the right to name the legal counsel to defend against such action subject to the consent of Buyer. Such expenses shall be borne by the Buyer and TeleVue in equal shares.

If there should be any change in Legal Requirements applicable to obtaining Regulatory Approvals after the date hereof, the parties shall, to the extent necessary, adapt the procedures set forth in paragraphs (i) (x) above to take into account such changes.

(d) Obligations Unaffected by Section 14.4. Notwithstanding Buyer's right pursuant to Section 14.4 under certain circumstances to assign its rights to purchase the Nashville System and the Dayton System to RCS Nashville, L.P. and the Dayton Third Party, respectively, (x)Buyer shall from and after the date hereof perform its obligations under Section 8.1 and this Section 8.2 (including,

without limitation, its obligation to use reasonable commercial efforts to obtain all consents, actions and authorizations that are required to be obtained under applicable Legal Requirements in order to consummate the Transaction, and to obtain all Local Authorizations and the FCC Certificate) as if such assignments will not occur, provided that (except with respect to the FCC Certificate relating to the Dayton System which Buyer shall be responsible to pursue), so long as a prospective assignee is duly performing its obligations under Section 8.1 and this Section 8.2 in a sufficiently timely fashion such that the Closing will not be delayed, Buyer shall not be required to duplicate the efforts of such prospective assignee, (y)Buyer shall cause each prospective assignee to comply with the provisions of Section 8.1 and this Section 8.2 as if such assignee were Buyer and (z)Buyer shall not permit the prospective assignments contemplated by Section 14.4 to delay the Closing Date beyond the date on which the Closing would have occurred absent such prospective assignments and any proceedings in connection therewith.

Section 8.3 Release of the Cable Group. As a part of the transfer process, the parties hereto shall use their reasonable commercial efforts to obtain from Local Authorities releases of the Cable Group and its Affiliates from any and all obligations and liabilities under the Local Authorizations (including but not limited to any performance guarantees provided to Local Authorities thereunder and any assumption of liability undertaken or imposed or indemnities given with respect thereto or the obligations of any other party thereunder). In the event that such releases are not obtained by the Closing Date, Buyer shall indemnify the Cable Group and its Affiliates in accordance with Section 13.2 hereof for Losses in respect of liabilities and obligations under Permits constituting Assumed Liabilities. In addition, Buyer will post at Closing all reasonable bonds, security deposits and letters of credit with utility companies, surety companies and others and all bonds, security deposits and letters of credit required by the terms of any of the Local Authorizations and give all guarantees to the extent reasonably required to enable the Cable Group and its Affiliates to obtain the release and cancellation of any bonds, security deposits, letters of credit or guarantees posted or given by the Cable Group and its Affiliates with or to such utility companies, surety companies or others or under the terms of any of the Local Authorizations. Nothing set forth herein shall alter TeleVue's obligations under Section 13.2.

Section 8.4 Notices of Certain Events. Each of TeleVue and Buyer shall promptly notify the other of:

(a) any notice or other communication received from any Person (other than with respect to consents identified on any Schedule) alleging that the consent of such Person is or may be required in connection with the Transactions;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the Transaction;

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(c) any actions, suits, claims, investigations or proceedings commenced, or to its knowledge threatened, against, relating to, involving or otherwise affecting the Cable Group or Buyer or their Affiliates, relating to the consummation of the Transaction;

(d) any information known to such party that indicates that any representation and warranty of TeleVue or Buyer will not be true and correct in any material respect as of the Closing; and

(e) the occurrence of any event known to such party which will result, or has a reasonable prospect of resulting, in the failure to satisfy a condition specified in Article IX or X hereof.

Section 8.5 Employment. If any Affiliate (other than an ERISA Affiliate) of

Buyer hires any Acquired Employee as contemplated by Section 8.8, Buyer agrees to indemnify and hold TeleVue harmless for any obligation or liability arising under ERISA and related provisions of the Code and in each case, rules and regulations thereunder which would not have been incurred with respect to such Acquired Employee had such Acquired Employee been employed by Buyer or an ERISA Affiliate of Buyer, provided, however, that this Section 8.5 shall not require Buyer to pay any severance payment to any employee.

Section 8.6 Further Assurances. From time to time after the Closing and without further consideration, the parties will execute and deliver, or arrange for the execution and delivery of such other instruments of conveyance and transfer or other instruments or documents and take or arrange for such other actions as may reasonably be requested to complete more effectively the Transaction. TeleVue shall use its reasonable commercial efforts (but without TeleVue being required to incur any outofpocket expenses or costs) to remove or clear defects to its title to real property included in the Acquired Assets.

Section 8.7 Taxes. (a) Except as otherwise provided in Section 4.4 or below in this paragraph, TeleVue shall be responsible for all Taxes (other than income or franchise Taxes) arising out of, or with respect to, the Business attributable to taxable periods, or portions thereof, ending on or before the Closing, and Buyer shall be responsible for all Taxes (other than income and franchise Taxes) arising out of, or with respect to, the Business attributable to taxable periods, or portions thereof, following the Closing. All state and local sales, use, transfer and documentary taxes and recording fees and taxes applicable to the Transaction shall be paid 50% by TeleVue and 50% by Buyer (it being understood that the business and occupation tax imposed by the State of Washington is not a sales, use, transfer or documentary tax).

(b) TeleVue and Buyer shall (i) each provide the other with such assistance as may reasonably be requested by any of them in connection with the preparation of any Tax Return, audit, or other examination by any taxing authority or judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other with any records or other information reasonably requested that may be relevant to such Tax Return, audit, examination or proceeding, and (iii) each provide the other with any final determination of any such audit, examination or proceeding, that affects any amount required to be

shown on any Tax Return of the other for any period. Without limiting the generality of the foregoing, each of TeleVue and Buyer shall retain until the applicable statutes of limitations (including any extensions) have expired, copies of all Tax Returns, supporting work schedules, and other records or information that may be relevant to the other party or its Affiliates for all tax periods or portions thereof ending before or including the Closing Date unless prior to destroying or otherwise disposing of any such records such party first provides the other party with a reasonable opportunity to review and copy the same.

Section 8.8 Employee Matters. Buyer agrees as follows:

(a) Employment. Not less than 90 days prior to the Closing TeleVue shall provide to Buyer a list of all active employees of the Cable Group as of a recent date showing then current rates of compensation. Within 25 days after TeleVue's delivery of such list, Buyer shall notify TeleVue in writing of which employees will be hired by Buyer or its Affiliates and which employees Buyer and its Affiliates do not intend to hire at the Closing (the "NonAcquired Employees"). All employees of the Cable Group (other than the NonAcquired Employees) who are actively employed, whether or not actively at work, on the Closing Date (the "Acquired Employees"), shall be offered employment as of the Closing Date at rates of compensation which are the same or substantially similar to their compensation prior to the Closing Date.

(b) Employee Benefits Generally. Subject to the provisions of this Section



8.8 as to any particular benefit, as of the Closing Date and for at least one year thereafter employee benefits shall be provided to Acquired Employees which are at least as favorable as those provided to similarly situated employees of Buyer. All prior service of Acquired Employees with the Cable Group and any member of a controlled group of corporations or trades or businesses or an affiliated service group with the Cable Group, within the meaning of Code Sections 414(b), (c), or (m), respectively ("ERISA Affiliates"), shall be recognized for all benefit plan purposes (other than benefit accrual under a defined benefit plan), at least to the extent recognized under the comparable Cable Group Benefit Plan as in effect on the date of this Agreement. On or before the Closing Date, TeleVue shall provide Buyer with a list setting forth the service accrued by each Acquired Employee. TeleVue agrees that Buyer shall not be under any obligation to and shall not assume sponsorship of any Benefit Plan.

(c) Defined Benefit Pension Plan. As soon as practicable after the Closing Date, TeleVue shall prepare and deliver to Buyer a schedule listing the Acquired Employees who were participants in the Viacom Pension Plan (formerly the Pension Plan for Divisional Employees of Viacom International Inc.) (the "Viacom Pension Plan") as of the Closing Date.

TeleVue shall cause all Acquired Employees to become 100% vested in their accrued benefits under the Viacom Pension Plan, and to be paid such benefits in accordance with the terms of the Viacom Pension Plan, and Buyer shall not have any responsibility with respect thereto. Buyer shall cooperate with TeleVue and Viacom to provide such current information regarding Acquired Employees on an ongoing basis as may be necessary to facilitate payment of pension benefits to such employees from the Viacom Pension Plan.

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(d) 401(k) Plan Transfers. TeleVue shall cause all Acquired Employees to be 100% vested in their Viacom Investment Plan accounts as of the Closing Date. After the Closing Date, such reasonable actions necessary to cooperate with Viacom shall be taken to facilitate ongoing administration by Viacom of the Viacom Investment Plan with respect to Acquired Employees' accounts, including, without limitation, providing current information to Viacom with respect to Acquired Employees, including notifying Viacom of the termination of employment or retirement of such employees and of any change of address or marital status of which Buyer has received notice; administering Investment Savings Plan loan repayments through payroll deductions for employees with outstanding Viacom Investment Plan loan balances as of the Closing Date and remitting such payments to the plan trustee; distributing information provided by Viacom regarding the Viacom Investment Plan to Acquired Employees; and taking any other action as may be reasonably requested by Viacom.

(e) Severance Obligations. Buyer shall not be responsible for any severance obligations to NonAcquired Employees.

(f) Sick Leave. Effective as of the Closing Date, Acquired Employees shall be eligible for paid sick leave under their employer's personal sick leave policy. Any Acquired Employee who, during the sixmonth period immediately following the Closing Date, requires paid sick leave in excess of that provided to such employee under the personal sick leave policy applicable to them, before commencement of the long term disability policy applicable to them, shall be entitled to paid sick leave at his base salary rate as of the Closing Date in an amount equal to the number of accrued and unused sick leave days to which such employee was entitled under the applicable Cable Group's personal sick leave policy as of the Closing Date, ("Banked Sick Leave Days"); provided, that TeleVue shall reimburse Buyer for the cost of any such Banked Sick Leave Days actually used.

(g) Vacation. With respect to the computation year that includes the Closing Date, Acquired Employees shall be eligible for paid or unpaid vacation (as next described) as follows: The amount of an Acquired Employee's vacation

for the remainder of the computation year shall be the maximum number of days (but in any event not less than zero) accrued for the computation year under the applicable vacation policy (based on the employee's service and subject to Section 8.8(b)) less the vacation days used for the same period as an employee of the Cable Group. In addition, each Acquired Employee shall receive the additional vacation, if any, that such employee would have been entitled to as of the Closing Date under the Cable Group's applicable vacation policy. Unless the Cable Group receives the employee's consent to transfer unused, paid vacation to the employee's employer, the Cable Group shall, on or prior to the Closing Date, pay the nonconsenting Acquired Employee the amount due for all accrued and unused vacation; provided that no more than four weeks of vacation may be transferred for any Acquired Employee. The vacation provided to Acquired Employees under this Section 8.8(g) shall be paid vacation only with respect to those Acquired Employees who consent to have accrued and unused vacation transferred to their employer or with respect to any additional vacation days that an Acquired Employee would accrue for the computation period under their employer's vacation policy in excess of the vacation accrued for the same period

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under the applicable Cable Group policy. In all other cases, the vacation provided to Acquired Employees under this Section 8.8(g) shall be unpaid.

(h) Welfare Plans. Each Acquired Employee shall be entitled to coverage effective as of the Closing Date under any medical, dental, vision, prescription drug, life insurance plans or other welfare benefit plans (within the meaning of Section 3(1) of ERISA, which are maintained by their employer for its employees ("Buyer's Welfare Plans"). Any waiting periods or preexisting condition limitations in their employer's Welfare Plans shall be waived unless coverage would have been denied on a similar basis under the welfare plans of the Cable Group (the "Cable Group's Welfare Plans") and deductibles, maximum benefit restrictions and "outofpocket" maximums shall be coordinated so that (i) Acquired Employees receive credit towards any deductibles under Buyer's Welfare Plans for deductibles paid under the Cable Group's Welfare Plans during the relevant plan year in which the Closing Date occurs, (ii) Acquired Employees receive credit for eligible claims incurred under the Cable Group's Welfare Plans during the plan year in which the Closing Date occurs toward any "outofpocket" maximums under Buyer's Welfare Plans. As soon as practicable after the Closing Date, TeleVue shall prepare and deliver to Buyer the information needed for Buyer to comply with the preceding sentence. TeleVue will pay or cause to be paid all eligible unpaid claims incurred by Acquired Employees prior to the Closing Date and timely submitted for reimbursement in accordance with the Cable Group's Welfare Plan. Continuation health care coverage shall be provided to all Acquired Employees and their qualified beneficiaries, who incur a qualifying event on and after the Closing Date in accordance with the continuation health care coverage requirements of Section 4980B of the Code and Sections 601 through 608 of ERISA ("COBRA"). TeleVue shall be responsible for providing continuation coverage to the extent required by law (x) to any employee who incurs a "qualifying event" under COBRA before the Closing Date and (y) to any employee who is not an Acquired Employee who incurs a "qualifying event" under COBRA on the Closing Date.

(i) Employment Taxes. TeleVue and Buyer agree to follow the procedures set forth in Section 5 of Rev. Proc. 8477 with respect to any Acquired Employee.

(j) No Third Party Beneficiaries. Nothing in this Section 8.8 or elsewhere in this Agreement shall be deemed to make any employee of the Cable Group a third party beneficiary of this Agreement.

Section 8.9 WARN. Subject to Buyer's compliance with Section 8.8(a) (it being understood that Buyer's compliance with Section 8.8(a) is subject to TeleVue's compliance with Section 8.8(a)) and in reliance on the information provided by Buyer pursuant thereto, to the extent, and at such time as is, necessary, TeleVue will comply with the Worker Adjustment and Retraining Notification Act and any comparable state law.

Section 8.10 FCC Certificate. Buyer agrees that neither it nor any of its Affiliates will take any action, or fail to take any action it has otherwise agreed or represented that it would take, if such action or failure would jeopardize the validity of the FCC Certificate.

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Section 8.11 Confidentiality. Prior to the Closing, each party shall, and shall cause its respective Affiliates, directors, officers, agents and employees to, keep the existence and terms of this Agreement confidential, except as the disclosure thereof may be required by law or pursuant to any listing agreement with, or the rules or regulations of, any national securities exchange on which securities of such party or any such Affiliate are listed or traded or except as may be required to satisfy the "due diligence" inquiries of any purchaser or underwriter with respect to any securities of such party or Affiliate. Any press release concerning this Agreement or the Transaction must be jointly approved by the parties prior to release.

Section 8.12 Approved Capital Expenditure Plan. TeleVue shall make or cause to be made the capital expenditures called for by the Approved Capital Expenditure Plan in all material respects except that TeleVue shall not be required to make or cause to be made (i) expenditures which were required by law at the time the Approved Capital Expenditure Plan was approved but are no longer so required, (ii) expenditures which Buyer has agreed in writing do not have to be made, (iii) expenditures which it is commercially unreasonable to make because the assumptions used in developing and underlying the Approved Capital Expenditure Plan prove to be incorrect in any material respect and (iv) expenditures which cannot be made for reasons not within TeleVue's control (including, without limitation, unavailability of equipment, lack of access to real property, delays in orders being filled, unavailability of pole attachment agreements and force majeure). In the event clause (iii) above is applicable, TeleVue and Buyer shall cooperate and negotiate in good faith to amend the Approved Capital Expenditure Plan to preserve for the parties, to the extent reasonably practicable and commercially reasonable, the economic benefits originally intended to be afforded by the expenditures not made as a consequence of clause (iii) above. For purposes of determining "Covered Capital Expenditures", "Line Extension and Other Capital Expenditures", "Monthly Adjusted Capital Expenditures" and "Telecom Capital Expenditure Amounts" and calculating "Closing Working Capital", a capital expenditure shall be deemed made at the time that a capital expenditure is recorded on the books of the Cable Group as such in the ordinary course in accordance with past practices.

Section 8.13 Reimbursement of Capital Expenditures. If this Agreement terminates without the Closing having occurred, Buyer shall reimburse TeleVue for the amount of additional capital expenditures that the Cable Group shall have made in 1995 as a result of complying with Buyer's rebuild standards as determined pursuant to the Approved Capital Expenditure Plan. A chart showing the incremental cost per mile of such capital expenditures is attached as Schedule 8.13. Buyer shall promptly pay to TeleVue the amount of all such expenditures as to which TeleVue has provided to Buyer documentation establishing that such expenditures were made, provided that no such payment shall be required earlier than the fifth business day after the date of such termination and provided further that no such payment shall be required in the event TeleVue terminates this Agreement pursuant to Section 11.1(c) solely by reason of a failure of a condition set forth in Section 10.8.

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## ARTICLE IX

### CONDITIONS TO THE OBLIGATIONS OF BUYER

The obligations of Buyer required to be performed by Buyer at the Closing

are subject to the satisfaction, at or prior to the Closing, of each of the following conditions, each of which may be waived by Buyer:

Section 9.1 Representations and Warranties; Covenants. (a) Each representation and warranty of TeleVue and Viacom contained in Article V (other than Section 5.21) of this Agreement that (i) is qualified by a reference therein to "Material Adverse Effect", shall be true and correct as of the Closing Date as though such representation and warranty was made on and as of such date (except to the extent a different date is specified therein, in which case such representation and warranty will be true and correct as of such date), or (ii) is not so qualified, shall be true and correct as of the Closing Date as though such representation and warranty were made on and as of such date (except to the extent a different date is specified therein, in which case such representation and warranty will be true and correct as of such date), with such exceptions that do not, individually or in the aggregate, result in a Material Adverse Effect, and except in the case of both clauses (i) and (ii) for changes occurring after the date of this Agreement (x) pursuant to the terms of this Agreement, (y) not prohibited by Section 7.1 or (z) consented to by Buyer.

(b) Each material covenant and obligation of TeleVue required by this Agreement to be performed by it at or prior to the Closing will have been duly performed and complied with in all material respects at the Closing.

(c) TeleVue shall have taken the actions described in Section 12.2(a).

(d) At the Closing, Buyer will have received a certificate, dated the Closing Date and duly executed by an executive officer of TeleVue and Viacom on behalf of TeleVue and Viacom, to the effect that the conditions set forth in Section 9.1(a) and Section 9.1(b) have been satisfied.

Section 9.2 HSR Act. Any applicable waiting period under the HSR Act will have expired or been terminated without the commencement or threat of any litigation by a Governmental Authority of competent jurisdiction to restrain the consummation of the Transaction contemplated by this Agreement in any material respect.

Section 9.3 Consented Subscribers. The number of Consented Subscribers shall be not less than 90% of Estimated Closing Date Basic Subscribers.

Section 9.4 Required Consents. Notwithstanding the provisions of Section 2.3 or 2.4, all consents required to be obtained by Seller in connection with the Transaction shall have been obtained and remain in full force and effect, with such exceptions as would not have a Material Adverse Effect.

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Section 9.5 Absence of Injunction. No order, stay, judgment or decree shall have been issued by any court and be in effect restraining or prohibiting the consummation of the Transaction in any material respect.

Section 9.6 PVIT Assets. The bill of sale referred to in Section 12.2(a) shall have been duly executed and delivered in conformity with said Section.

Section 9.7 Opinions. Legal opinions of counsel to TeleVue (who may be the general counsel or deputy general counsel of Viacom Inc. or any Affiliate thereof with respect to Exhibit E1 only) covering the substance of the matters set forth in Exhibits E1 and E2 shall be delivered to Buyer.

#### ARTICLE X

##### CONDITIONS TO THE OBLIGATIONS OF TELEVUE

The obligations of TeleVue to be performed by TeleVue at the Closing are subject to the satisfaction, at or prior to the Closing, of each of the following conditions, each of which may be waived by TeleVue:

Section 10.1 Representations and Warranties; Covenants. (a) Each representation and warranty of Buyer and InterMedia contained in Article VI of this Agreement will be true and correct in all material respects as of the Closing as though such representation and warranty was made on and as of such date (except to the extent a different date is specified therein, in which case such representation and warranty will be true and correct as of such date).

(b) Each material covenant and obligation of Buyer required by this Agreement to be performed by it at or prior to the Closing will have been duly performed and complied with in all material respects as of the Closing, and Buyer shall have taken the actions described in Section 12.2(b).

(c) At the Closing, TeleVue will have received a certificate, dated the Closing Date and duly executed by an executive officer of the general partner of Buyer to the effect that the conditions set forth in this Section 10.1 have been satisfied.

Section 10.2 HSR Act. Any applicable waiting period under the HSR Act will have expired or been terminated without the commencement or threat of any litigation by a Governmental Authority of competent jurisdiction to restrain the consummation of the Transaction contemplated by this Agreement in any material respect.

Section 10.3 Consented Subscribers. The number of Consented Subscribers shall not be less than 90% of Estimated Closing Date Basic Subscribers.

Section 10.4 Opinions. A legal opinion of counsel to Buyer (who may be the general counsel or deputy general counsel of Buyer or any Affiliate thereof) covering the substance of the matters set forth on Exhibit F1 shall be delivered to TeleVue. A legal opinion of counsel to the Guarantor (who may be the general

counsel or deputy general counsel of the Guarantor or any Affiliate thereof) covering the substance of the matters set forth on Exhibit F2 shall be delivered to TeleVue.

Section 10.5 Consents. All consents required to be obtained by Buyer in connection with the Transaction shall have been obtained and remain in full force and effect, with such exceptions as do not result in a material adverse effect on Buyer's ability to consummate the Transaction.

Section 10.6 Absence of Injunction. No order, stay, judgment or decree will have been issued by any court and be in effect restraining or prohibiting the consummation of the Transaction in any material respect.

Section 10.7 FCC Certificate and Related Tax Matters. (a) TeleVue and any Remaining Cable Division Subsidiary shall have received an FCC Certificate with respect to the sale of all the Acquired Assets and any Retained Assets and any Right of First Refusal Assets pursuant to this Agreement to Buyer (including, without limitation, any Acquired Assets, Retained Assets and Right of First Refusal Assets which are the subject of an assignment pursuant to Section 14.4), which shall be satisfactory in form and substance to TeleVue and in full force and effect at the Closing, and such FCC Certificate shall be the subject of a final and unappealable order of the FCC.

(b) TeleVue shall have received a ruling or rulings from the IRS, satisfactory in form and substance to TeleVue with respect to the Transaction and the reinvestment by TeleVue of the proceeds of sale to Buyer of the Acquired Assets, Retained Assets and Right of First Refusal Assets.

(c) There shall not have occurred or been proposed (with, in the good faith judgment of TeleVue, a reasonable likelihood of adoption) any change in or addition to the Code or other statute relating to federal income taxes or the regulations promulgated pursuant thereto or any written Treasury Department or

IRS or judicial interpretation thereof, that has or would have an adverse impact on the ability of TeleVue and its Affiliates to benefit from Section 1071 of the Code in any material respect (including, without limitation, any such impact with respect to possible uses of the proceeds of sale of the Acquired Assets) (it being understood, however, that if the condition described in Section 10.7(b) shall have been satisfied, this Section 10.7(c) shall be deemed not to have been satisfied only in the case of an actual or proposed change in law otherwise described in this Section 10.7(c) that affects or would affect the ability of TeleVue and its Affiliates to benefit from the ruling described in Section 10.7(b)).

Section 10.8 Reorganizations. (a) All Local Authorizations, FCC Authorizations and other consents of Governmental Authorities necessary or in the reasonable opinion of TeleVue desirable in connection with consummation of the Reorganizations shall have been obtained and remain in full force and effect.

(b) The Reorganizations shall have been consummated.

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Section 10.9 Limited Partner Guaranty. The Limited Partner Guaranty shall remain in full force and effect.

Section 10.10 First Pledge Agreement. The First Pledge Agreement, if executed and delivered by the Guarantor prior to Closing, shall remain in full force and effect.

#### ARTICLE XI

#### TERMINATION

Section 11.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual consent of Buyer and TeleVue;

(b) by Buyer, if any condition contained in Article IX has become incapable of fulfillment (other than if such incapacity results from actions or omissions of Buyer or its Affiliates);

(c) by TeleVue, if any condition contained in Article X has become incapable of fulfillment (other than if such incapacity results from actions or omissions of TeleVue or its Affiliates); or

(d) by Buyer or TeleVue, if the Closing has not occurred on or prior to the date that is twelve (12) months from the date of this Agreement (other than as a result of the failure by the party seeking to terminate this Agreement (i) to consummate the transactions contemplated hereby when all conditions to such party's obligations contained in Article IX or X, as the case may be, have been satisfied or waived or (ii) to duly comply with its covenants and obligations hereunder).

If Buyer or TeleVue terminate this Agreement pursuant to the provisions hereof, such termination will be effected by written notice to the other party specifying the provision hereof pursuant to which such termination is made.

Section 11.2 Effect of Termination. (a) Upon termination of this Agreement pursuant to Section 11.1 hereof, except as provided in clause (b) below: (i) this Agreement will forthwith become null and void, (ii) such termination will be the sole remedy with respect to any breach of any representation, warranty, covenant or agreement contained in or made pursuant to this Agreement and (iii) no party hereto or any of their respective officers, directors, employees, agents, consultants, shareholders or principals will have any liability or obligation

hereunder or with respect hereto.

(b) The provisions of clause (a) above notwithstanding, no party will be relieved of: (i) liability for any breach of Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.17, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.8, 6.9, 6.10 and 6.11, and Articles XV and XVI, (ii) liability for any breach of any material covenant or agreement contained herein or made pursuant hereto and (iii) any obligation under

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Section 14.1. Except as set forth in this Section 11.2(b), no party will have any liability for any breach of a representation or warranty contained herein if the Closing does not occur.

## ARTICLE XII

### CLOSING

Section 12.1 Closing. Subject to the conditions set forth in Articles IX and X of this Agreement, the purchase and sale of the Acquired Assets and the consummation of the Transaction (the "Closing") will take place at the offices of Hughes Hubbard & Reed, One Battery Park Plaza, New York, N.Y. 10004 on the fifth Business Day following the date on which TeleVue gives Buyer written notice that all conditions to the obligations of Buyer and TeleVue under Articles IX and X of this Agreement (other than those requiring an exchange of a certificate, opinion or other document, or the taking of other action, at the Closing) shall have been satisfied or waived or at such other time or place as TeleVue and Buyer may agree. TeleVue shall deliver such notice within five (5) Business Days of such satisfaction or waiver. The date on which the Closing is to occur is herein referred to as the "Closing Date." All transactions consummated at the Closing shall be deemed to have taken place simultaneously and shall be deemed to be effective as of the close of business on the Closing Date. Notwithstanding that the Closing is consummated, Buyer may pursue its rights and remedies against TeleVue and/or Viacom with respect to any breach of a representation, warranty, covenant or obligation by TeleVue or Viacom under this Agreement in accordance with Article XIII of this Agreement. Notwithstanding that the Closing is consummated, TeleVue may pursue its rights and remedies against Buyer and/or InterMedia with respect to any breach of a representation, warranty, covenant or obligation by Buyer or InterMedia under this Agreement in accordance with Article XIII of this Agreement.

Section 12.2 Deliveries at the Closing. At the Closing:

(a) TeleVue shall (and Viacom shall cause TeleVue to) make the following deliveries to Buyer:

- (i) bills of sale, deeds and other instruments of assignment (consistent with the provisions of this Agreement) sufficient to sell, assign, transfer and convey to Buyer all of the Cable Group's right, title and interest in and to the Acquired Assets in conformance with this Agreement;
- (ii) a bill of sale in the form of Exhibit G, duly executed by PVI Transmission Inc., conveying to Buyer all of PVI Transmission Inc.'s right, title and interest in and to the assets listed on Schedule 12.2 (the "PVIT Assets"); and

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- (iii) all opinions, certificates and other instruments and documents contemplated under Article IX to be delivered by TeleVue at or prior to the Closing.

(b) Buyer shall (and InterMedia shall cause Buyer to) make the following deliveries to TeleVue:

- (i) payment of the Estimated Purchase Price, such payment to be in immediately available federal funds and made by wire transfer to a bank account designated by TeleVue in a written notice given to Buyer at least two (2) Business Days prior to the Closing; provided, that, subject to the following proviso, at the option of Buyer, Buyer may reduce the portion of the Estimated Purchase Price payable in immediately available federal funds (but not any interest payable thereon) by an amount of up to \$600,000,000 (the amount of such reduction being referred to as the "Deferred Purchase Price") by (x)delivering to TeleVue at the Closing a duly executed secured promissory note in form of ExhibitK hereto (the "Note") in a principal amount equal to the Deferred Purchase Price and (y)duly executing and delivering to TeleVue at the Closing a pledge agreement in the form of ExhibitL hereto (the "Second Pledge Agreement") and pledging, assigning and delivering to Tele-Vue at the Closing as collateral pursuant to the Second Pledge Agreement as provided therein (i) a number of shares of TCI Stock determined by dividing the Deferred Purchase Price by the Average Market Price of such TCI Stock and rounding the resulting number upward to the nearest integer and (ii) all of Buyer's right, title and interest in the Value Guarantee Agreement; provided further that Buyer's right to reduce the portion of the Estimated Purchase Price payable in immediately available federal funds pursuant to the preceding proviso is subject to the satisfaction at the Closing of each of the following conditions:

(A) As of the Closing Date, the surplus (as such term is defined in Section154 of the Delaware General Corporation Law) of Guarantor shall be not less than 200% of the Deferred Purchase Price and at the Closing Buyer and Tel-Vue will have received a certificate, dated the Closing Date and duly executed by an executive officer and Guarantor to such effect;

(B) Buyer shall have delivered to Tele-Vue at least three Business Days prior to the Closing Date such Uniform Commercial Code financing statements with respect to the Collateral (as defined in the Second Pledge Agreement) as TeleVue shall reasonably require, in form reasonably satisfactory to TeleVue, duly executed by Buyer;

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(C) (i) Guarantor shall have duly executed and delivered to Buyer a Value Guarantee Agreement in the form of ExhibitJ hereto (the "Value Guarantee Agreement"), and the representations and warranties of Guarantor contained in Section2 thereof shall be true and correct in all respects,

- (ii) Buyer shall have duly executed and delivered to Guarantor the Value Guarantee Agreement, (iii)the Value Guarantee Agreement shall remain in full force and effect, (iv)Buyer shall have duly executed and delivered to Tele-Vue the Note and the Second Pledge Agreement, and the Note and Second Pledge Agreement shall remain in full force and effect and (v)the representations and warranties of Guarantor contained in Section10 of the Second Pledge Agreement shall be true and correct in all respects; and

(D) (i)All Buyer Subordinated Obligations existing as of the Closing shall be, and Buyer, InterMedia and any other Investors



shall have duly executed and delivered to Tele-Vue and Viacom such agreements and instruments as Tele-Vue and Viacom may reasonably require in order to make effective provision that all Buyer Subordinated Obligations (whether created, incurred, or assumed by Buyer prior to or at the Closing) and the payment of the principal of (and premium, if any), and interest, dividends or other amounts on or with respect to, all Buyer Subordinated Obligations are, subordinate and junior in right of payment to the prior indefeasible payment in full of all obligations under the Note, and (ii) as of the Closing Buyer shall have received as consideration in respect of Buyer Subordinated Obligations, and shall have available at the Closing, cash and marketable securities (which may include TCI Stock) aggregating not less than \$600,000,000 (based on the fair market value of such marketable securities which in the case of the TCI Stock shall be the Average Market Price). As used herein, Investors shall mean all persons who hold or acquire Buyer Subordinated Obligations; Buyer Subordinated Obligations shall mean all securities or other instruments representing partnership interests or other equity or capital contributions to Buyer, together with, with respect to Buyer, (i) all indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed and (ii) all deferred indebtedness for the payment of the purchase price of property or assets purchased, in each case whether created, incurred or assumed by Buyer prior to, at, or subsequent to the Closing; provided, however, that Buyer Subordinated Obligations shall not include Senior Bank Debt, the Note or any Assumed Liabilities; and Senior Bank Debt shall mean

all bank or insurance company indebtedness to be incurred by Buyer in connection with the Transaction. The terms of the subordination of the Buyer Subordinated Obligations to the obligations evidenced by the Note as set forth in such agreements and instruments shall be on customary terms and conditions, and shall otherwise be reasonably satisfactory to Tele-Vue and Viacom. The instruments and documents setting forth the subordination of the Buyer Subordinated Obligations to the obligations evidenced by the Note shall in any event provide, without limitation, (A) that (i) no Buyer Subordinated Obligations shall require or permit any scheduled interest, principal or other amortization payments or any mandatory payment, prepayment, redemption or repurchase of any Buyer Subordinated Obligations, and (ii) all such Buyer Subordinated Obligations shall include for the express benefit of Tele-Vue and Viacom a prohibition upon any optional payment, prepayment or redemption of, or any payment of interest upon or the payment or declaration of any dividend or distribution upon, any Buyer Subordinated Obligations, prior to (in the case of either clause (i) or clause (ii) of this clause (A)), the date on which the Note shall have been paid in full (the "Note Payment Date"), and Buyer and InterMedia shall also use all reasonable commercial efforts to include in the terms of such Buyer Subordinated Obligations a provision to the effect that no payment or transaction of the type referred to in clause (i) or (ii) of this clause (A) may be made until the date which is 91 days after the Note Payment Date; and (B) for customary representations and negative covenants substantially similar to, and consistent with, the representations and negative covenants contained in the Senior Bank Debt (including, without limitation, a representation that as of the Closing Buyer's assets shall consist only of the Acquired Assets, related working capital and the TCI Stock and a covenant that all transactions between Buyer and any Affiliate of Buyer shall be on an arms-length basis and shall be at least as favorable to Buyer as would be obtained in a similar transaction with an unaffiliated

third party).

- (ii) copies of resolutions adopted by the board of directors of the general partner of Buyer, certified by the Secretary or an Assistant Secretary of the general partner of Buyer, authorizing the execution and delivery by the general partner of Buyer of this Agreement on behalf of Buyer;
- (iii) an instrument of assumption sufficient for Buyer to assume and agree to pay, perform and discharge all Assumed Liabilities, in form and substance reasonably satisfactory to TeleVue and

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Buyer, pursuant to which Buyer assumes the Assumed Liabilities in accordance with Section 3.1; and

- (iv) all opinions, certificates and other instruments and documents contemplated under Article X to be delivered by Buyer at or prior to the Closing.

#### ARTICLE XIII

##### SURVIVAL AND INDEMNIFICATION

Section 13.1 Survival. The representations, warranties, covenants and agreements contained in or made pursuant to this Agreement shall survive the Closing, but the representations and warranties contained or made pursuant to this Agreement shall terminate and be of no further force on and as of April 30, 1996, except that:

(a) the representations and warranties made by TeleVue in Section 5.21 shall survive until the expiration of the applicable statute of limitations;

(b) the representations and warranties made by TeleVue in Sections 5.11 and 5.19 shall survive indefinitely; and

(c) the representations and warranties made by Buyer in Section 6.8 shall survive indefinitely.

Section 13.2 Indemnification. (a) The party seeking indemnification pursuant to this Section 13.2 is referred to as the "Indemnified Party" and the party from whom indemnification is sought under this Section 13.2 is referred to as the "Indemnifying Party."

(b) If the Closing occurs, each of TeleVue and Viacom (without duplication) shall indemnify and hold harmless, after taking into account any taxes actually payable by the Indemnified Party as a result of such indemnification, Buyer and its Affiliates against and in respect of any and all Losses (x) which may be incurred by Buyer or any of its Affiliates by reason of the breach of any representation, warranty, covenant or agreement of TeleVue or Viacom contained in or made pursuant to this Agreement or (y) constituting Retained Liabilities.

(c) If the Closing occurs, each of Buyer and InterMedia (without duplication) shall indemnify and hold harmless, after taking into account any taxes actually payable by the Indemnified Party as a result of such indemnification, TeleVue and its Affiliates against and in respect of any and all Losses (x) which may be incurred by TeleVue or any of its Affiliates by reason of the breach of any representation, warranty, covenant or agreement of Buyer or InterMedia contained in or made pursuant to this Agreement or (y) constituting Assumed Liabilities.

(d) Notwithstanding anything to the contrary in this Agreement (i) the aggregate liability of an Indemnifying Party in respect of all Losses (other

than those resulting from the failure of Buyer to pay any portion of the Purchase Price and other than those relating to Taxes) shall not exceed the Purchase Price; and (ii) no party shall be entitled to recover consequential damages pursuant to this Section 13.2 or otherwise in respect of any breach of this Agreement (except for breaches of Sections 6.8 and 8.10).

(e) No claim for indemnification shall be made by any party pursuant to Section 13.2(b) or (c) with respect to a breach of a representation or warranty contained herein or made pursuant hereto (i) unless notice of such claim (describing the basic facts or events, the existence or occurrence of which constitute or have resulted in the alleged breach of a representation or warranty made in this Agreement) has been given to the Indemnifying Party during the survival period set forth in Section 13.1; and (ii) except as to liability for breach of a representation or warranty set forth in Sections 5.11, 5.17, 5.19, 5.21, 5.23, 6.8 or 6.9, until the Losses that would be recoverable under such claims aggregate in excess of 1/2 of 1% of the Purchase Price, after which event the Indemnified Party shall be entitled to be indemnified for only such Losses as are in excess of 1/2 of 1% of the Purchase Price.

(f) The Indemnified Party shall give prompt written notice to the Indemnifying Party of any claim for indemnification under Section 13.2(b) or (c) relating to a claim or demand of a third party with respect to which it is seeking indemnification hereunder. The failure to give such prompt notice shall not relieve the Indemnifying Party of its indemnity obligations hereunder with respect thereto, except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party shall have the right to defend and to direct the defense against any such claim or demand, in its name or in the name of the Indemnified Party, as the case may be, at the expense of the Indemnifying Party, and with the counsel selected by the Indemnifying Party, provided that the Indemnifying Party may not settle or compromise any such claim or demand without the consent of the Indemnified Party (which consent may not be unreasonably withheld) if injunctive or other equitable relief would be imposed against the Indemnified Party as a result thereof. Notwithstanding anything in this Agreement, to the contrary, the Indemnified Party shall cooperate with the Indemnifying Party, and keep the Indemnifying Party fully informed in the defense of such claim or demand. The Indemnified Party shall have the right to participate in the defense of any claim or demand with counsel employed by it at the expense of the Indemnified Party. The Indemnifying Party shall have no indemnification obligations with respect to any such claim or demand which shall be settled by the Indemnified Party without the prior written consent of the Indemnifying Party.

(g) If the Closing occurs, the rights of the parties under Section 13.2(b) and (c) and Section 14.13 shall be the exclusive remedy of the parties with respect to breaches of representations, warranties, covenants and agreements contained in or made pursuant to this Agreement or any Transaction Document (including without limitation any bill of sale, deed, instrument of assignment, instrument of assumption or other document, certificate or opinion delivered pursuant to Section 12.2). Buyer, on behalf of itself and its Affiliates, hereby waives and releases the Cable Group and its Affiliates, effective at the Closing, from any statutory or other right of contribution or indemnity (except as set forth in this Section 13.2) with respect to the Cable Group's ownership of the Acquired Assets or operation of, or otherwise relating to, the Systems.

(h) In the event that an Indemnifying Party shall be obligated to indemnify an Indemnified Party pursuant to Section 13.2(b) or (c), the Indemnifying Party shall, upon payment of such indemnity, be subrogated to all rights of the Indemnified Party with respect to claims to which such indemnification relates.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Expenses. Except as expressly set forth herein, the fees and expenses (including the fees of any lawyers, accountants, investment bankers or others engaged by such party) in connection with this Agreement and the transactions contemplated hereby whether or not the Transaction is consummated will be paid by the party incurring the same.

Section 14.2 Headings. The section headings herein are for convenience of reference only, do not constitute part of this Agreement and will not be deemed to limit or otherwise affect any of the provisions hereof. References to Sections, Schedules and Exhibits, unless otherwise indicated, are references to Sections, Schedules and Exhibits hereof.

Section 14.3 Notices. Any notice or other communication required or permitted to be given hereunder will be in writing and will be mailed by prepaid registered or certified mail, timely deposited with an overnight courier such as Federal Express, by facsimile transmission, or delivered against receipt, as follows:

(a) In the case of Buyer or InterMedia, to:

RCS Pacific, L.P.  
235 Montgomery Street, Suite 420  
San Francisco, CA 94104  
Attention: Mr. Frank Washington

with a copy to:

InterMedia Partners IV, L.P.  
235 Montgomery Street, Suite 420  
San Francisco, CA 94104  
Attention: Mr. Leo J. Hindery, Jr.

and

Pillsbury Madison & Sutro  
235 Montgomery Street  
San Francisco, CA 94104  
Attention: Gregg Vignos, Esq.

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and

Attn: Marvin Jones  
Marvin Jones Associates, Inc.  
8101 East Prentice Avenue, Suite 500  
Englewood, CO 80111  
Fax: (303) 721-5415  
Phone: (303) 721-5400

(b) In the case of TeleVue or Viacom, to:

Viacom Cable  
5924 Stoneridge Drive  
P.O. Box 13  
Pleasanton, CA 94566  
Attention: Law Department and  
Chief Financial Officer

with a copy to:

Viacom Inc.

1515 Broadway  
New York, NY 10036  
Attention: General Counsel

and

Hughes Hubbard & Reed  
One Battery Park Plaza  
New York, NY 10004  
Attention: Ed Kaufmann, Esq.

or to such other address as the party may have furnished in writing in accordance with the provisions of this Section 14.3. Any notice or other communication shall be deemed to have been given, made and received (i)two (2) days following the day when deposited with an overnight courier, (ii)five (5) days following the day when mailed by prepaid registered or certified mail, return receipt requested, (iii)when confirmed in writing, if sent by facsimile transmission or (iv)otherwise (or if earlier), upon receipt. Either party may change the address to which notices are to be addressed by giving the other party notice in the manner herein set forth.

Section 14.4 Assignment. This Agreement and all provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors, however, neither this Agreement nor any right, interest, or obligation hereunder may be assigned by any party hereto (other than by operation of law) without the prior written consent of the other parties, and

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any such assignment or purported assignment without such consent shall be void; provided, that, subject to the following proviso, at the Closing:

(A) Buyer may assign its right to purchase the Nashville System to RCS Nashville, L.P. if Buyer, InterMedia, RCS Nashville, L.P. and InterMedia Partners of Nashville L.P. ("InterMedia Nashville") execute and deliver at the Closing documents reasonably satisfactory to TeleVue pursuant to which (i) RCS Nashville, L.P. becomes bound under this Agreement and deemed a "Buyer" for all purposes hereunder (including, without limitation, satisfaction of all conditions set forth in Article X hereof (including, without limitation, receipt by TeleVue of an FCC Certificate complying with the requirements of Section 10.7(a) relating to the Acquired Assets that are the subject of such assignment)), except that RCS Nashville, L.P. shall not be deemed a Buyer for purposes of the Note and the provisions of Section 12.2(b)(i), and (ii) InterMedia Nashville agrees to cause RCS Nashville, L.P. to perform its obligations under this Agreement; and

(B) Buyer may assign its right to purchase the Dayton System to a third party, identified by no later than the thirtieth day after the date hereof, reasonably acceptable to Viacom (the "Dayton Third Party") if:

(1) the Dayton Third Party and, if in the reasonable judgment of Viacom, the Dayton Third Party is not sufficiently creditworthy, a creditworthy third party (which may be an Affiliate of the Dayton Third Party) reasonably acceptable to Viacom (the "Dayton Guarantor") execute and deliver at the Closing documents reasonably satisfactory to TeleVue pursuant to which (i) the Dayton Third Party becomes bound under this Agreement and deemed a "Buyer" for all purposes hereunder (including, without limitation, satisfaction of all conditions set forth in Article X hereof (including, without limitation, receipt by TeleVue of an FCC Certificate complying with the requirements of Section 10.7(a) relating to the Acquired Assets that are the subject of such assignment)) and (ii) if applicable, the Dayton Guarantor agrees to cause the Dayton Third Party to perform its obligations under this Agreement; and

(2) Viacom has not notified Buyer in writing prior to the Closing that Viacom has reasonably determined in good faith that pursuing such assignment of Buyer's right to purchase the Dayton System will have an undue

adverse effect on obtaining the FCC Certificate or Local Authorizations relating to the Dayton System or will prevent or otherwise unduly delay the Closing. If Viacom delivers such written notice to Buyer, Buyer will promptly take all necessary actions with respect to obtaining an FCC Certificate and Local Authorizations for the Dayton System to reflect that Buyer will be acquiring the Dayton System, and will otherwise fully comply with its obligations under this Agreement relating to the Dayton System as if there were no provision herein relating to a possible assignment of the right to purchase the Dayton System.

provided further that, notwithstanding the foregoing proviso:

- (a) if the assignment contemplated by clause (A) occurs, (i) RCS Nashville, L.P. shall not be responsible hereunder for any claims hereunder arising after the Closing that relate solely to Systems other than the Nashville System, (ii) Buyer and, if the assignment contemplated by clause (B) occurs, the Dayton Third Party shall not be responsible hereunder for any claims hereunder arising after the Closing that relate solely to the Nashville System and (iii) Buyer (and, if the assignment contemplated by clause (B) occurs, the Dayton Third Party jointly and severally), on the one hand, and RCS Nashville, L.P., on the other hand, shall be severally responsible pro rata (based on their respective number of Closing Date Basic Subscribers) for all claims hereunder arising after the Closing that are not covered by clause (i) or (ii) of this paragraph (1); and
- (b) if the assignment contemplated by clause (B) occurs, (i) Buyer shall remain fully responsible for all claims hereunder arising after the Closing (including any claims relating to the Dayton System) and (ii) the Dayton Third Party shall be responsible for any claims hereunder arising after the Closing to the extent such claims relate to the Dayton System).

Section 14.5 Entire Agreement. This Agreement embodies the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes all prior written or oral commitments, arrangements or understandings with respect thereto.

Section 14.6 Amendment; Waiver. (a) This Agreement may only be amended or modified in writing signed by the party against whom enforcement of any such amendment or modification is sought.

(b) Any party hereto may, by an instrument in writing, waive compliance with any term or provision of this Agreement on the part of such other party hereto. The waiver by any party hereto of a breach of any term or provision of this Agreement will not be construed as a waiver of any subsequent breach.

Section 14.7 Counterparts. This Agreement may be executed in two or more counterparts, all of which will be considered one and the same agreement and each of which will be deemed an original. All signatures need not be on one counterpart.

Section 14.8 Governing Law. THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK REGARDLESS OF THE LAWS THAT MIGHT BE APPLICABLE UNDER PRINCIPLES OF CONFLICTS OF LAW AS TO ALL MATTERS, INCLUDING BUT NOT LIMITED TO MATTERS OF VALIDITY, CONSTRUCTION, EFFECT AND PERFORMANCE.

Section 14.9 Severability. If any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions of this Agreement will not be affected thereby, and TeleVue and Buyer will use their reasonable efforts to substitute one or more valid, legal and enforceable provisions which insofar as practicable implement the purposes and intent hereof. To the extent permitted by applicable law, each party waives any provision of law which renders any provision of this Agreement invalid, illegal or unenforceable in any respect.

Section 14.10 Consent to Jurisdiction. Each party hereby submits to the

non-exclusive jurisdiction of the courts of general jurisdiction of the States of New York and California and the federal courts of the United States of America, located in the City of New York, New York and San Francisco, California solely in respect of the interpretation and enforcement of the provisions of this Agreement and hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Agreement that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in such courts or that this Agreement may not be enforced in or by such courts or that its property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, or that the venue of the suit, action or proceeding is improper. Service or process with respect thereto may be made upon any party by mailing a copy thereof by registered or certified mail, postage prepaid, to such party at its address as provided in Section 14.3 hereof, provided that service of process may be accomplished in any other manner permitted by applicable law.

Section 14.11 Third Person Beneficiaries. Except as expressly provided in Sections 8.8, 31.2, 14.4 and 14.14(d), this Agreement is not intended to confer upon any Person (other than Buyer and TeleVue) any rights or remedies hereunder (it being understood that this Section 14.11 shall not prejudice any subrogation rights that Guarantor may have).

Section 14.12 Representation and Warranties; Schedules. Neither the specification of any dollar amount in the representations and warranties set forth in Article IV or elsewhere herein nor the indemnification provisions of Article XIII nor the inclusion of any items in any Schedule will be deemed to constitute an admission by TeleVue or Viacom or BUyer or InterMedia, or otherwise imply, that any such amounts or the items so included are material for the purposes of this Agreement. All documents or information disclosed in the Schedules are intended to be disclosed for all purposes under this Agreement and will also be deemed to be incorporated by reference in each Scheule to which they may be relevant without further disclosure.

Section 14.3 Specific Performance. Buyer and TeleVue recognize that any breach of any covenant or agreement contained in this Agreement may give rise to irreparable harm for which money damages would not be an adequate remedy, and accordingly agree that, in addition to other remedies any non-breaching party will be entitled to enforce the agreements and covenants contained herein of Buyer and InterMedia or TeleVue and Viacom, as the case may be, by a decree of specific performance without the necessity of proving the inadequacy as a remedy of money damages.

Section 14.4 Nonrecourse Provisions. (a) TeleVue agrees that, except as provided in Section 14.14(d) below, notwithstanding any other provision in this Agreement (other than Section 14.14(d) or any agreement, instrument or certificate of Buyer delivered pursuant to this Agreement (each a "Transaction Document", except that Transaction Document shall not in any event include the Limited Partner Guaranty, the Value Guarantee Agreement or the First Pledge Agreement) and any rule of law or equity to the contrary, to the fullest extent

permitted by law, Buyer's obligations and liabilities under all Transaction Documents and in connection with the transactions contemplated therein shall be Nonrecourse to all direct and indirect general and limited partners of Buyer other than InterMedia.

(b) Definition of Nonrecourse. "Nonrecourse" shall mean that the obligations and liabilities are limited in recourse solely to Buyer and the assets of Buyer (for those purposes, any capital contribution obligations of the general and limited partners of Buyer or any negative capital account balances of such partners shall not be deemed to be assets of Buyer) and are not guaranteed directly or indirectly by, or the primary obligations of, any general or limited partner of Buyer, and no general or limited partner or any officer, director, partner, employee or agent of Buyer or any general or limited partner of any successor partnership, either directly or indirectly, shall be personally

liable in any respect (except to the extent of their respective interests in the assets of Buyer) for any obligation or liability of Buyer under any Transaction Document or any transaction contemplated therein, provided that nothing in this Section 14.14(b) shall (i) apply to InterMedia or (ii) preclude a party from naming the other party (and, if necessary as a procedural matter, any partner in the other party) as a party defendant in any action. It is understood that any reference to "InterMedia" in this Section 14.14 refers only to InterMedia and not to any of its partners, employees or agents.

(c) Definition of Direct. "Direct" partners include all general and limited partners of Buyer, and "indirect" partners include all general and limited partners of each direct partner and all general and further indirect partners thereof and each such indirect partner.

(d) Limited Recourse. Notwithstanding Section 14.14(a), Sections 14.14(a), (b) and (c) shall not apply and TeleVue and Viacom shall have full recourse to all direct and indirect general and limited partners of Buyer or any of them in connection with any claim by TeleVue or Viacom relating to Buyer's obligations and liabilities under all Transaction Documents and the transactions contemplated therein to the extent of the aggregate amount of all Distributions that have been made during the 24 month period immediately preceding any such claim. As used herein, "Distribution" means any direct or indirect distribution, dividend or transfer for less than fair value of any assets (including cash) of Buyer.

(e) No Suits. (i) Each of Buyer and InterMedia hereby covenants for itself and its successors and assigns that it and its successors and assigns will not make, bring, claim, commence, prosecute or, maintain, any action, either at law or equity, in any court of the United States or any state thereof against any officer, director, partner, employee or agent of TeleVue, or any Affiliate of TeleVue and (ii) each of TeleVue and Viacom hereby covenants for itself and its successors and assigns that it and its successors and assigns will not make, bring, claim, commence, prosecute or maintain, any action, either at law or equity, in any court of the United States or any state thereof against (x) any officer, director, partner (other than InterMedia), employee or agent of Buyer, (y) any officer, director, partner, employee or agent of InterMedia, or (z) any direct or indirect general or limited partner of Buyer (other than InterMedia) or InterMedia, in each case for (i) the payment of any amount or the performance of any obligation under any Transaction Document or (ii) the satisfaction of any liability arising in connection with any such payment or obligation or otherwise, including without limitation, liability arising in law for tort

(including, without limitation, for active and passive negligence, negligent misrepresentation and fraud), equity (including, without limitation, for indemnification and contribution) and contract (including, without limitation, monetary damages for the breach of representation or warranty or performance of any of the covenants or obligations contained in any Transaction Document or with the transaction contemplated herein or therein).

#### ARTICLE XV

##### UNDERTAKING, REPRESENTATIONS AND WARRANTIES OF VIACOM

Section 15.1 Viacom Undertaking as to TeleVue's Obligations. Viacom hereby agrees with Buyer to cause TeleVue to pay when due all of TeleVue's payment obligations under this Agreement and to perform when due all of TeleVue's other obligations under this Agreement.

Section 15.2 Representations and Warranties. Viacom hereby represents and warrants to Buyer as follows:

(a) Corporate Existence and Power. Viacom is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware, and is authorized to transact business and is in good standing in each state in



which its ownership of assets or conduct of business requires such qualification, and has all corporate powers required to carry on its business as now conducted, with such exceptions as would not impair in any material respect the ability of Viacom to perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and performance by Viacom of this Agreement are within Viacom's corporate powers and have been duly authorized by all necessary corporate action on the part of Viacom.

(c) Governmental Authorization. The execution, delivery and performance by Viacom of this Agreement require no material action by or in respect of, or filing with, any governmental body, agency, official or authority other than compliance with any applicable requirements of the HSR Act, the FCC Authorizations and the Local Authorizations.

(d) Consents. No consent by any Person under any contract to which Viacom is a party or to which its assets are subject is required or necessary for the execution, delivery and performance by Viacom of this Agreement, with such exceptions as would not impair in any material respect the ability of Viacom to perform its obligations under this Agreement.

(e) Non-Contravention. The execution, delivery and performance by Viacom of this Agreement does not and will not (x) contravene the certificate of incorporation or by-laws of Viacom or (y) result in a, or constitute a breach or default (including any event that, with the passage of time or giving of notice, or both, would become a breach or default) under any applicable Legal Requirement or any judgment, order, decree, contract, license, lease, indenture, mortgage, loan agreement or note, as to which Viacom is a party or by which any

of its properties may be bound, the effect of which would impair in any material respect the ability of Viacom to perform its obligations under this Agreement.

(f) Binding Effect. This Agreement has been duly executed and delivered by each of Viacom and TeleVue and this Agreement constitutes a valid and binding obligation of each of Viacom and TeleVue, enforceable against each of Viacom and TeleVue in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by the principles governing the availability of equitable remedies.

#### ARTICLE XVI

##### UNDERTAKING, REPRESENTATIONS AND WARRANTIES OF INTERMEDIA

Section 16.1 Intermedia Undertaking as to Buyer's Obligations. InterMedia hereby agrees with TeleVue to cause Buyer to pay when due all of Buyer's payment obligations under this Agreement and the Note and to perform when due all Buyer's other obligations under this Agreement and the Note.

Section 16.2 Representations and Warranties. InterMedia hereby represents and warrants to TeleVue as follows:

(a) Partnership Existence and Power. InterMedia is a limited partnership duly organized, validly existing and in good standing under the laws of the state of California, and is authorized to transact business and is in good standing in each state in which its ownership of assets or conduct of business requires such qualification, and has all partnership powers required to carry on its business as now conducted, with such exceptions as would not impair in any material respect the ability of InterMedia to perform its obligations under this Agreement.

(b) Partnership Authorization. The execution, delivery and performance by InterMedia of this Agreement are within InterMedia's partnership powers and have been duly authorized by all necessary partnership action on the part of

InterMedia.

(c) Governmental Authorization. The execution, delivery and performance by InterMedia of this Agreement require no material action by or in respect of, or filing with, any governmental body, agency, official or authority other than compliance with any applicable requirements of the HSR Act, the FCC Authorizations and the Local Authorizations.

(d) Consents. No consent by any Person under any contract to which InterMedia is a party or to which its assets are subject is required or necessary for the execution, delivery and performance by InterMedia of this Agreement with such exceptions as would not impair in any material respect the ability of InterMedia to perform its obligations under this Agreement.

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(e) Non-Contravention. The execution, delivery and performance by InterMedia of this Agreement does not and will not (x) contravene the certificate of limited partnership or agreement of limited partnership of InterMedia or (y) result in a, or constitute a breach or default (including any event that, with the passage of time or giving of notice, or both, would become a breach or default) under any applicable Legal Requirement or any judgment, order, decree, contract, license, lease, indenture, mortgage, loan agreement or note, as to which InterMedia is a party or by which any of its properties may be bound, the effect of which would impair in any material respect the ability of InterMedia to perform its obligations under this Agreement.

(f) Binding Effect. This Agreement has been duly executed and delivered by each of InterMedia and Buyer and this Agreement constitutes a valid and binding obligation of each of InterMedia and Buyer, enforceable against each of InterMedia and Buyer in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by the principles governing the availability of equitable remedies.

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IN WITNESS WHEREOF, the parties hereo have caused this Agreement to be duly executed in New York, New York, as of the day and year first above written.

RCS PACIFIC, L.P.

By MITGO CORP, its General Partner

By: /s/ Frank Washington

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Name: Frank Washington  
Title: President

TELE-VUE SYSTEMS, INC.

By: /s/ Michael D. Fricklas

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Name: Michael D. Fricklas  
Title: Senior Vice President and  
Deputy General Counsel

VIACOM INTERNATIONAL INC.

By: /s/ Thomas E. Dooley

-----  
Name: Thomas E. Dooley  
Title: Executive Vice President  
Finance, Corporate Development  
and Communications

INTERMEDIA PARTNERS IV, L.P.

By: InterMedia Capital Management IV, L.P.  
its General Partner

By: InterMedia Management, Inc.  
its General Partner

By: /s/ Leo J. Hindery, Jr.

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Name: Leo J. Hindery, Jr.  
Title: President and Chief  
Executive Officer

Viacom Inc. and Subsidiaries  
Computation of Net Earnings Per Share

	Year ended December 31,		
	1994	1993	1992
	(In millions, except per share amounts)		
Net earnings from continuing operations .....	\$ 130.5	\$ 169.5	\$ 66.1
Cumulative convertible preferred stock dividend requirement .....	75.0	12.8	--
Earnings from continuing operations attributable to common stock .....	55.5	156.7	66.1
Loss from discontinued operations, net of tax .....	(20.5)	--	--
Extraordinary losses, net of tax .....	(20.4)	(8.9)	(17.1)
Cumulative effect of change in accounting principle .....	--	10.4	--
Net earnings attributable to common stock .....	\$ 14.6	\$ 158.2	\$ 49.0
Primary Computation:			
Shares:			
Weighted average number of common shares .....	207.6	120.6	120.2
Common shares potentially issuable in connection with:			
Stock options and warrants (a) .....	2.6	--	--
Contingent value rights .....	5.8	--	--
Variable common rights .....	4.0	--	--
Weighted average common shares and common share equivalents .....	220.0	120.6	120.2
Net earnings per common share			
Net earnings from continuing operations .....	\$ .25	\$ 1.30	\$ .55
Loss from discontinued operations, net of tax .....	(.09)	--	--
Extraordinary losses, net of tax .....	(.09)	(.07)	(.14)
Cumulative effect of change in accounting principle .....	--	.08	--
Net earnings .....	\$ .07	\$ 1.31	\$ .41
Fully Diluted Computation (b)			
Shares:			
Weighted average number of common			
shares outstanding .....	207.6	120.6	120.2
Common shares potentially issuable in connection with:			
Stock options and warrants (a) .....	3.0	--	--
Contingent value rights .....	5.8	--	--
Variable common rights .....	4.0	--	--
Weighted average common shares and common share equivalents .....	220.4	120.6	120.2
Net earnings per common share:			
Net earnings from continuing operations .....	\$ .25	\$ 1.30	\$ 0.55
Loss from discontinued operations, net of tax .....	(.09)	--	--
Extraordinary losses, net of tax .....	(.09)	(.07)	(.14)
Cumulative effect of change in accounting principle .....	--	.08	--
Net earnings .....	\$ .07	\$ 1.31	\$ 0.41

(a) The aggregate dilution of stock options was less than 3% in 1993 and 1992 and, therefore, were excluded from the computation.

(b) The Preferred Stock and related dividend requirement had an anti-dilutive effect on earnings per share in 1994 and 1993 and, therefore, were excluded from the computation.



The following are all of the direct and indirect subsidiaries of Viacom Inc.

NETWORKS

PCI'S Holdings Corporation (Delaware) (100%)  
     Eighth Century Corporation (Delaware) (100%)  
 Viacom International Inc. (Delaware) (100%)  
     Viacom HA! Holding Company (Delaware) (100%)

MTV Networks

Viacom International Inc. (Delaware)  
     Games Productions Inc. (Delaware) (100%)  
         Antics Inc. (Delaware) (100%)  
         Bardwire Inc. (Delaware) (100%)  
         Games Animation Inc. (Delaware) (100%)  
         QWERTY Inc. (Delaware) (100%)  
         Uptown Productions Inc. (Delaware) (100%)  
 MTV Asia Development Company Inc. (Delaware) (100%)  
 MTV Australia Inc. (Delaware) (100%)  
 MTV India Development Company Inc. (Delaware) (100%)  
 MTV Korea Development Company Inc. (Delaware) (100%)  
 MTV Latino Inc. (Delaware) (100%)  
 MTV Networks Company (Delaware) (100%)  
 MTV Networks Europe Inc. (Delaware) (100%)  
 MTV Networks South Africa 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%)  
     Big Shows Inc. (Delaware) (100%)  
     State of Mind Inc. (Delaware) (100%)  
 Tunes By Nickelodeon Inc. (Delaware) (100%)  
 VHONE Inc. (Delaware) (100%)  
 Viacom Camden Lock Inc. (Delaware) (100%)  
 Viacom Networks Europe Inc. (Delaware) (100%)  
 Viacom Networks Inc. (New York) (100%)  
 Viacom VHENO Inc. (Delaware) (100%)

Showtime Networks Inc.

Viacom International Inc. (Delaware)  
     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 Satellite News Inc. (Delaware) (100%)

BROADCASTING

Viacom International Inc. (Delaware)  
Broadcast Holdings Ltd. L.P. (Delaware) (95%)\*  
KBSG Inc. (Delaware) (100%)  
KNDD Inc. (Delaware) (100%)  
KYSR Inc. (Delaware) (100%)  
Newtel Inc. (Delaware) (100%)  
    Paramount Stations Group Inc. (Virginia) (79%)\*  
        Paramount Stations Group Holding Company Inc.  
            (Virginia) (100%)  
                Paramount Stations Group of Fort  
                    Worth/Dallas Inc. (Virginia) (100%)  
                Paramount Stations Group of Philadelphia  
                    Inc. (Virginia) (100%)  
                Paramount Stations Group of  
                    Raleigh/Durham Inc. (Virginia)  
                        (100%)  
                Paramount Stations Group of Washington  
                    Inc. (Virginia) (100%)  
        Paramount Stations Group of Houston Inc.  
            (Virginia) (100%)  
        Paramount Stations Group of Kerrville Inc.  
            (Virginia) (100%)  
Riverside Broadcasting Co., Inc. (Delaware) (100%)  
Viacom Broadcasting East Inc. (Delaware) (100%)  
Viacom Broadcasting of Missouri Inc. (Delaware) (100%)  
Viacom Broadcasting West Inc. (Delaware) (100%)  
Viacom WSBK Inc. (Delaware) (100%)  
VSC Communications Inc. (Delaware) (100%)  
WMZQ Inc. (Delaware) (100%)  
WNYT Inc. (Delaware) (100%)  
WVIT Inc. (Delaware) (100%)

\* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

ENTERTAINMENT

Film & Television

Film Properties International B.V. (Netherlands)  
Cinema International Corporation (Israel) (95%)\*  
Film Investments International (FII) N.V. (Netherlands Antilles)  
    (100%)  
        Securitas Services Limited (Bermuda) (100%)  
Film Properties International (Argentina) B.V. (Netherlands) (100%)  
PLM Film Produzione SpA (Liq.) (Italy) (99.97%)\*  
Paramount Communications Holding Company (Delaware)  
International Overseas Film Services, Inc. (Delaware) (66.67%)  
International Overseas Productions, Inc. (California) (66.67%)  
Number One FSC Ltd. (US Virgin Islands) (100%)  
Paramount British Pictures Limited (United Kingdom) (100%)  
Paramount Communications B.V. (Netherlands) (100%)  
    Aros N.V. (Netherlands Antilles) (100%)  
    Cinematic Arts B.V. (Netherlands) (100%)  
    Compania Insular Tabacalera S.A. (Spain) (93.33%)\*  
    Global Film Distributors B.V. (Netherlands) (100%)  
    Gulf & Western Intercontinental Investments N.V.  
        (Netherlands Antilles) (100%)  
    Gulf & Western International Finance N.V. (Netherlands  
        Antilles) (100%)  
    Gulf & Western International N.V. (Netherlands Antilles)  
        (100%)  
    International Film Productions (IFP) N.V. (Netherlands

Antilles) (50%)  
 Mars Film Produzione S.P.A. (Italy) (100%)  
 Monetas N.V. (Netherlands Antilles) (100%)  
 Overseas Services B.V. (Netherlands) (100%)  
 Paramount Film Production (Deutschland) GmbH (Germany)  
 (100%)  
 Tabaco Canario S.A. (Spain) (50%)  
 United Cinemas International Multiplex B.V. (Partnership)  
 (Netherlands) (49.02%)  
 Paramount Pictures (U.K.) Limited (United Kingdom) (75%)\*  
 Paramount Television International Services, Ltd. (Bermuda) (100%)  
 Paramount Television Limited (United Kingdom) (75%)\*  
 Capital Equipment Leasing Limited ((United Kingdom) (100%)

Net earnings .....	\$ .07	\$ 1.31	\$ 0.41
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Zenith North Limited (United Kingdom) (100%)			

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\* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

PCI Canada Inc. (Delaware) (100%)  
     Paramount Communications (Canada) Limited (Canada (Ontario))  
     (100%)  
     Paramount Productions, Inc. (Canada (Ontario)) (100%)  
         Famous Players International B.V. (Netherlands)  
         (100%)  
         Paramount Pictures Corporation (Canada), Inc.  
         (Canada (Ontario)) (100%)  
             Paramount Canadian Productions, Inc.  
             (Delaware) (100%)  
 Paramount Communications Realty Corporation (Delaware)  
     Columbus Circle Films Inc. (Delaware) (100%)  
     Pet II Productions Inc. (Delaware) (100%)  
 Paramount-Immobiliare Inc. (Delaware)  
     Paramount Studios, Inc. (California) (100%)  
     WC Property Holdings, Inc. (Liq.) (California) (100%)  
 PCI'S Holdings Corporation (Delaware)  
     Ages Entertainment Software, Inc. (Delaware) (100%)  
     Ages Electronics, Inc. (Delaware) (100%)  
     Congo Films Ltd. (United Kingdom) (99%)\*  
     Coronet Films, Inc. (New York) (100%)  
     Paramount Pictures Corporation (Delaware) (100%)  
         5555 Communications Inc. (Delaware) (100%)  
         All Is Forgiven Productions (Partnership) (California) (50%)  
         America Today (Joint Venture) (California) (50%)  
         Desilu Productions, Inc. (Delaware) (100%)  
         Entertainment Tonight (Partnership) (California) (50%)  
         Forty-Fourth Century Corporation (Delaware) (100%)  
         Future General Corporation (Delaware) (100%)  
         Long Road Productions (Partnership) (Illinois) (75%)  
         MacGyver Productions (Partnership) (California) (50%)  
         Newdon Productions (Partnership) (Illinois) (76%)  
         One and Only Joint Venture, The (New York) (53.37%)  
         Paramount Americas Film Corporation (Delaware) (100%)  
         Paramount Home Video, Inc. (Delaware) (100%)  
         Paramount International Holding Company (Delaware) (100%)  
         Paramount Films B.V. (Netherlands) (100%)



Paramount Films of Australia Inc. (Delaware)  
(100%)  
Paramount Films of China, Inc. (Delaware) (100%)  
Paramount Films of Egypt, Inc. (Delaware) (100%)  
Paramount Films of India, Ltd. (Delaware) (100%)  
Paramount Films of Italy, Inc. (New York) (100%)  
Paramount Films of Lebanon, Inc. (New York) (100%)  
Paramount Films of Pakistan Ltd. (New York) (100%)  
Paramount Films of Southeast Asia Inc. (Delaware)  
(100%)  
Paramount Overseas Productions, Inc. (Delaware)  
(100%)  
Paramount Pictures (Australia) Pty. Limited  
(Australia) (100%)

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\* The balance of such subsidiary's outstanding stock is owned by one or more  
direct and/or indirect subsidiaries of Viacom Inc.

Paramount Pictures (Iran) Inc. (Liq.) (Delaware)  
(100%)  
Triohurst Limited (United Kingdom) (100%)  
Worldwide Productions, Inc. (Delaware) (100%)  
Paramount Production Support Inc. (Delaware) (100%)  
Paramount Productions Service Corporation (Delaware) (100%)  
Paramount Television Service, Inc. (Delaware) (100%)  
PCI Network Partner Inc. (Delaware) (100%)  
PPC Space Production (Partnership) (California) (50%)  
Premier Advertiser Sales Inc. (Delaware) (100%)  
Shirley Valentine Company Joint Venture, The (New York)  
(50%)  
Taking Advantage (Partnership) (California) (50%)  
United Cinemas International Multiplex B.V. (Netherlands)  
Cinesa/UCI B.V. (Netherlands) (100%)  
United Cinemas International (Ireland) Limited (Ireland) (100%)  
United Cinemas International (Japan) K.K. (Japan) (99.5%)  
United Cinemas International (U.K.) Limited (United Kingdom) (99.995%)  
Hollywood Express Limited (United Kingdom) (50%)\*  
UCI Developments (U.K.) Limited (United Kingdom) (50%)\*  
UCI Exhibition (U.K.) Limited (United Kingdom) (99.98%)\*  
United Cinemas International Multiplex GmbH (Austria) (98%)  
United Cinemas International Multiplex GmbH (Germany) (100%)  
CIC Video GmbH (Germany) (95%)  
United International Pictures B.V. (Netherlands)  
UIP (U.K.) Limited (United Kingdom) (50%)  
UIP Danube International Services Ltd. (Hungary) (95%)  
UIP International Services B.V. (Netherlands) (100%)  
UIP Limited (United Kingdom) (50%)  
UIP Pay Television B.V. (Netherlands) (100%)  
Unicorn Services (Bermuda) (47.5%; 95% aggregate Viacom Inc.  
ownership)\*\*  
United International Pictures (Trinidad & Tobago) (95%)  
United International Pictures (United Kingdom) (95%)  
United International Pictures (Far East) (Hong Kong) (95%)  
United International Pictures (Netherlands) B.V. (Netherlands) (100%)  
United International Pictures (NZ) (New Zealand) (95%)

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\* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

\*\* Direct and/or indirect subsidiaries of Viacom Inc. in the aggregate own a majority (but less than 100%) of the outstanding stock of such subsidiary.

United International Pictures (Pay TV) B.V. (Netherlands) (99%)  
    Latin American Pay Television Service V.O.F. (Netherlands Antilles) (37.5%)  
        LAPTV (N.A.) N.V. (Netherlands Antilles) (100%)  
        Latin American Pay Television Service C.V. (Netherlands Antilles) (99%)\*  
        Latin American Pay Television Service de Venezuela C.A. (Venezuela) (100%)  
        Latin American Pay Television Service S.A. de C.V. (Mexico) (100%)  
United International Pictures (Schweiz) GmbH (Switzerland) (94%)  
United International Pictures (South Africa) (South Africa) (95%)  
    UIP Distributions (Proprietary) Ltd. (South Africa) (50%)  
United International Pictures (U.K.) (United Kingdom) (95%)  
United International Pictures A.B. (Sweden) (95%)  
United International Pictures A/S (Norway) (95%)  
United International Pictures and Company SNC (Belgium) (95%)  
United International Pictures ApS (Denmark) (95%)  
United International Pictures Distribuidora de Filmes Limitada (Brazil) (95%)  
United International Pictures EPE (Greece) (95%)  
United International Pictures Filmcilik ve Ticaret Limited Sirketi (Turkey) (95%)  
United International Pictures GmbH (Germany) (95%)  
    UIP Filmverleih Gesellschaft mbH (Austria) (95%)  
United International Pictures Limitada (Colombia) (95%)  
United International Pictures Ltda. (Chile) (95%)  
United International Pictures of Colombia Inc. (Colombia (Delaware)) (95%)  
United International Pictures of Panama Inc. (Panama (Delaware)) (95%)  
United International Pictures OY (Finland) (95%)  
United International Pictures Pay TV (Netherlands) B.V. (Liq.) (Netherlands) (100%)  
United International Pictures PTE (Singapore) (95%)  
United International Pictures Pty. (Australia) (95%)  
United International Pictures S. de R.L. (Argentina) (95%)  
United International Pictures SARL (France) (95%)  
United International Pictures SRL (Italy) (95%)  
United International Pictures SRL (Peru) (95%)  
United International Pictures SRL (Venezuela) (95%)  
    C.A. Cinematografica Blancica (Venezuela) (50%)  
United International Pictures y Cia SRC (Spain) (95%)  
Viacom International Inc. (Delaware)  
    Film Intex Corporation (Delaware) (100%)  
    Tele-Vu Ltee. (Canada (Federal)) (100%)  
    Viacom A.G. (Switzerland) (100%)  
    Viacom Canada Limited (Canada (Federal)) (100%)  
    Viacom Enterprises Canada Ltd. (Canada (Federal)) (100%)

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\* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

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) (85%)  
Viacom Pacific Limited (Vila, Vanuatu) (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 Productions Inc. (Delaware) (100%)  
    Low Key Productions Inc. (Delaware) (100%)  
    Matlock Company, The (Delaware) (100%)  
    My Shadow Productions Inc. (Delaware) (100%)  
    PMV Productions Inc. (Delaware) (100%)  
    They Productions Inc. (Delaware) (100%)  
    VP Programs Inc. (California) (100%)  
Viacom Video-Audio Communicacoes Limitada (Brazil) (100%)  
VSC Productions Inc. (New York) (100%)

Spelling Entertainment Group Inc. (Florida) (77%)  
    Republic Entertainment Inc. (Delaware) (100%)  
        Republic Distribution Corporation (Delaware) (100%)  
        Proxy Music Corporation (California) (100%)  
        Creative Film, Inc. (Colorado) (100%)  
        Republic Pictures Entertainment Inc. (Delaware) (100%)  
        Compelling Music Corporation (California) (100%)  
        World Entertainment Corporation (New York) (100%)  
        Republic Pictures Enterprises (Delaware) (100%)  
        Republic Pictures Productions, Inc. (California) (100%)  
        Early Morning Madness Productions, Inc. (California) (100%)  
        Repix Inc. (Delaware) (100%)  
        Republic Direct Inc. (California) (100%)  
        Eagle Direct Inc. (Delaware) (100%)

Spelling Entertainment Inc. (Delaware) (100%)  
    Aaron Spelling Productions, Inc. (California) (100%)  
        A.S. Payroll Company (California) (100%)  
        Dynamic Soap, Inc. (California) (100%)  
        Preye, Inc. (California) (100%)  
        A.S.P. International, Inc. (Virgin Islands) (100%)  
    Laurel Entertainment, Inc. (Delaware) (100%)  
        Laurel Pictures, Inc. (Delaware) (100%)  
        Laurel Cinema Inc. (Delaware) (100%)  
        Laurel Film Inc. (Delaware) (100%)  
        Laurel-King Inc. (Delaware) (100%)  
        Laurel-T.V. Inc. (Delaware) (100%)

Spelling Films International Inc. (Delaware) (100%)  
Torand Productions Inc. (Delaware) (100%)  
    90210 Productions, Inc. (California) (100%)  
    Branded Productions Inc. (California) (100%)  
    Melrose Productions Inc. (California) (100%)  
    Northshore Productions Inc. (California) (100%)  
    Spelling Television Inc. (Delaware) (100%)  
    Spelling Television (Canada) Inc. (Canada (British  
        Columbia)) (100%)  
    T & R Payroll Company (Delaware) (100%)  
    Torand Payroll Company (Delaware) (100%)  
Worldvision Enterprises, Inc. (New York) (100%)  
    Evergreen Programs, Inc. (New York) (100%)  
        Great American Entertainment Motion  
        Pictures, Inc. (California) (100%)  
        Great American Entertainment Television,  
        Inc. (California) (100%)  
        QM Productions, Inc. (California) (100%)  
        QM Music Company (California) (100%)  
        Quinn Martin Music Company (California)  
        (100%)  
        Sunn Classic Pictures Inc. (Utah) (100%)  
        Titus Productions, Inc. (California)  
        (100%)  
    Hamilton Projects, Inc. (New York) (100%)  
    Image Edit, Inc. (Delaware) (100%)  
    Worldvision Enterprises (United Kingdom), Ltd.  
        (New York) (100%)  
    Worldvision Enterprises of Canada, Limited (New  
        York) (100%)  
    Worldvision Home Video, Inc. (New York) (100%)  
    World Volleyball League, Inc. (New York) (100%)  
    Worldvision Television Programming, Inc.  
        (Delaware) (100%)  
    WV Productions, Inc. (Delaware) (100%)  
    Vision Productions, Inc. (New York) (100%)  
    Worldvision Enterprises of Australia, Pty., Ltd.  
        (Australia) (100%)  
    Worldvision Enterprises (France) S.A.R.L. (France)  
        (100%)

Worldvision Enterprises, G.m.b.H. (Germany) (100%)  
Worldvision Enterprises Latino-americana (Panama)  
    (100%)  
Worldvision Enterprises de Venezuela (Venezuela)  
    (100%)  
Worldvision Filmes do Brasil, Ltd. (Brazil) (100%)  
Worldvision Foreign Sales Corporation (Virgin  
    Islands) (100%)

Big Ticket Pictures Inc. (Delaware) (100%)  
Big Ticket Productions Inc. (Delaware) (100%)  
Big Ticket Television Inc. (Delaware) (100%)  
Granite Productions, Inc. (California) (100%)  
RH Productions Inc. (California) (100%)

#### New Media

PCI'S Holdings Corporation (Delaware)  
    Paramount Communications Technology Group Inc. (Delaware) (100%)  
Viacom International Inc. (Delaware)

VNM Inc. (Delaware) (100%)

Theatres

Famous Players International B.V. (Netherlands)  
Films Paramount S.A. (France) (100%)  
Maarten Investerings Partnership (New York)  
1020917 Ontario Inc. (Canada (Ontario)) (100%)  
Paramount Communications (Canada) Limited (Canada (Ontario))  
Famous Players Investments B.V. (Netherlands) (100%)  
Gulf & Western Holdings Limited (Bahamas) (100%)  
Paramount Communications Holding Company (Delaware)  
Cinema Dominicana S.A. (Dominican Republic) (100%)  
Paramount Pictures (Canada) Inc. (Canada (Ontario))  
176309 Canada Inc. (Canada (Federal)) (100%)  
2853-5912 Quebec Inc. (Canada (Quebec)) (100%)  
Aetrax International Corporation (Delaware) (87.41%)\*  
Beta Theatres Inc. (Delaware) (100%)  
Theatre 59 Ltd. (Delaware) (100%)  
Centurion Satellite Broadcast Inc. (Delaware)  
(100%)  
Festival Inc. (Delaware) (100%)  
Famous Players Inc. (Canada (Federal)) (100%)  
730995 Ontario Inc. (Canada (Ontario)) (100%)  
779991 Ontario Inc. (Canada (Ontario)) (100%)  
Central Park Theatres Limited (Canada (Alberta)) (100%)  
Majestic Theatres Limited (Canada (Alberta)) (100%)  
Strand Theatre Limited (Canada (Saskatchewan)) (50%)

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Sudbury (Joint Venture) (Canada (Federal)) (66.7%)  
Wilson Century Theatres Limited (Canada (Ontario)) (50%)

Cinema International B.V. (Netherlands) (49%)  
Biscondi Sdn Bhd (Malaysia) (95%)  
CIC Home Video GmbH (Switzerland) (95%)  
CIC Video (Proprietary) Limited (South Africa) (100%)  
CIC Video (United Kingdom) (95%)  
CIC Video (Far East) Ltd. (Japan) (100%)  
CIC Video (Finland) OY (Finland) (95%)  
CIC Video (Hong Kong) Ltd. (Hong Kong) (95%)  
CIC Video (New Zealand) Ltd. (New Zealand) (95%)  
CIC Video Australia Pty. Ltd. (Australia) (95%)  
CIC-Taft Video Pty. Ltd. (Australia) (66.67%)  
CIC Video B.V. (Netherlands) (95%)  
CIC Video International B.V. (Netherlands) (95%)  
CIC Video (Denmark) I/S (Denmark) (95%)  
CIC Video (Norway) ANS (Norway) (95%)  
CIC Video International U.K. (United Kingdom) (95%)  
CIC Video Limitada (Brazil) (94.99%)  
CIC Video SNC (France) (94.80%)  
CIC Video SRL (Italy) (95%)

CIC Video by CIA SRC (Spain) (94%; 95% aggregate Viacom Inc. ownership)\*\*  
 CIC-Victor Video, Limited K.K. (Japan) (75%)  
 Cinema International (Germany) B.V. (Netherlands) (95%)  
 Cinema International Corporation (1991) SDN (Malaysia) (95%)  
 Cinema International Corporation (Scandinavia) AB (Sweden) (95%)  
 Cinema International Corporation Pty. (Australia) (95%)  
 UIP-CIC Film & Video Distribution Company (South Korea) (50%)\*  
 Cinema International Corporation N.V. (Netherlands) (49%)  
 CIC International B.V. (Netherlands) (90%; 95% aggregate Viacom Inc. ownership)\*\*  
 CIC Television B.V. (Netherlands) (95%)\*  
 CIC Theatres B.V. (Netherlands) (100%)  
 Cinema International Corporation (Sao Jorge) y Cia (Portugal) (99%)  
 Cinema International Corporation (U.K.) (United Kingdom) (95%)  
     CIC Film Properties (United Kingdom) (100%)  
         Empire-Ritz (Leicester Square) (United Kingdom) (95%)  
     CIC Theatre Group (United Kingdom) (100%)  
         Plaza Theatre Company, The (United Kingdom) (95%)  
 Cinema International Corporation Distribuidora de Filmes Limitada (Brazil) (99.54%)  
 Cinema International Corporation GmbH (Schweiz) (Switzerland) (95%)  
 Cinema International Corporation Limitada Suiza (Uruguay Branch) Liq. (Uruguay) (95%)  
 Cinema International Corporation (Dominicana) S.A. (Dominican Republic) (95%)  
     UIP-Coblan SA (Dominican Republic) (50%)  
     United International Pictures (SDN) (Malaysia) (95%)  
 Cinema International Corporation y Cia SC (Panama) (99%)  
 Concordia Films B.V. (Netherlands) (97.14%)  
 Essential Cinemas B.V. (Netherlands) (100%)  
 Film Properties International B.V. (Netherlands) (100%)  
 Gemini International B.V. (Netherlands) (100%)  
     Cinema International Corporation (Dominicana) S.A. (Dominican Republic) (95%)  
     Cinema International Corporation SARL (Lebanon) (90%; 95% aggregate Viacom Inc. ownership)\*\*  
 United International Pictures S. de R.L. (Mexico) (95%)  
 Uranus Productions France S.A.R.L. (France) (100%)  
     Cinesa/UCI B.V. (Spain) (100%)  
 Cinesa - Compania de Iniciativas y Espectaculos, S.A. (Spain) (67.30%; 99.70% aggregate Viacom Inc. ownership)\*\*  
     Inmobiliaria y Espectaculos, S.A. (Spain) (100%)  
     Rey Soria y Compania, S.L. (Spain) (100%)  
     Uro, S.A. (Spain) (100%)

#### Music Publishing

#### PCI'S Holdings Corporation

Famous Music Corporation (Delaware) (100%)  
     Addax Music Co., Inc. (Delaware) (100%)  
     Desilu Music Corp. (New York) (50%)  
     Ensign Music Corporation (Delaware) (100%)  
         Bruin Music Company (Delaware) (100%)  
     Para-Sac Music Corporation (Delaware) (100%)  
     Paramount Music Corporation (Delaware) (100%)  
     Paramount-Roy Rogers Music Co., Inc. (New York) (50%)  
     Scarab Publishing Corporation (Delaware) (100%)

#### Viacom International Inc. (Delaware)

VSC Compositions (New York) (100%)  
 VSC Music Inc. (New York) (100%)  
 VSC Productions Inc. (New York) (100%)

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\*\* Direct and/or indirect subsidiaries of Viacom Inc. in the aggregate own a majority (but less than 100%) of the outstanding stock of such subsidiary.

\* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

Entertainment Miscellaneous

PCI'S Holdings Corporation (Delaware)  
    Paramount Communications Merchandising and Licensing Corporation  
    (Delaware) (100%)

VIDEO AND MUSIC

101 Properties Corporation (Florida)  
AHV Holding Corporation (Delaware)  
    Atlantic Home Video, GP (Delaware) (100%)  
Blockbuster Airship Holding Corporation (Delaware)  
    Blockbuster Airships, Inc. (Delaware) (100%)  
Blockbuster Amusement Holding Corporation (Delaware)  
    Blockbuster Adventures, Inc. (Delaware) (100%)  
    Blockbuster Discovery Investment Inc. (Delaware) (100%)  
    Blockbuster Fun & Fitness Holding Corp. (Delaware) (100%)  
    Blockbuster Family Fun, Inc. (Delaware) (100%)  
Blockbuster Entertainment Inc. (Delaware)  
    200 S. Andrews, Inc. (Delaware) (100%)  
    Atlantic Associates, Inc. (Delaware) (100%)  
    Blockbuster Amphitheater Corporation (Delaware) (100%)  
        Charlotte Amphitheater Corporation (Delaware) (100%)  
        The Westside Amphitheater Corp. (Arizona) (100%)  
    Blockbuster Computer Systems Corporation (Florida) (100%)  
    Blockbuster Technology Holding Corporation (Delaware) (100%)  
        New Leaf Entertainment Corporation (Delaware) (100%)  
    Blockbuster UK Group Limited (United Kingdom) (100%)  
        Blockbuster Entertainment Corporation Limited (United  
        Kingdom) (100%)  
            Century Entertainment Ltd. (United Kingdom) (100%)  
    Cityvision plc (United Kingdom) (100%)  
        Cityvision Videotheken Ges. M.B.H. (Austria)  
        (100%)  
        Video Store (Jersey) Limited (Channel Islands)  
        (100%)  
        Ritz Video Film Hire Limited (United Kingdom)  
        (100%)  
        Tredegars Home Entertainment Limited (United  
        Kingdom) (100%)  
        Video Club (G.B.) Limited (United Kingdom) (100%)  
    Blockbuster Video Acquisition Corp. (Delaware) (100%)  
        Southeastern Home Video, Inc. (Delaware) (100%)  
    Blockbuster Video Distribution, Inc. (Delaware) (100%)  
    Blockbuster Videos, Inc. (Texas) (100%)  
        Houston Video Management Inc. (Texas) (100%)  
    Family Entertainment Centers, Inc. (Florida) (100%)  
    FLC Holding Corporation (Florida) (100%)  
    Montgomery Acquisition, Inc. (Texas) (100%)

Blockbuster Music Holding Corporation (Delaware)  
     Blockbuster Music Corporation (Delaware) (100%)  
     Blockbuster Music Retail, Inc. (Texas) (100%)  
     BVJV Corporation (Delaware) (100%)  
         Blockbuster Virgin Partnership, a DE Gen'l Ptnshp.  
             (Delaware) (75%)  
         Blockbuster Virgin Partnership USA, a DE Gen'l Ptnshp.  
             (Delaware) (75%)  
         Show Industries, Inc. (California) (100%)  
         Virgin Blockbuster Ltd. (UK) (United Kingdom) (50%)  
         Virgin Retail Australia Pty Ltd. (Australia) (50%)  
         Virgin Retail Delaware II Inc. (Delaware) (50%)

Blockbuster Park Holding Corporation (Delaware)  
     Blockbuster Park, Inc. (Delaware) (100%)  
     Blockbuster Park Lands, Inc. (Florida) (100%)

Blockbuster Pictures Holding Corporation (Delaware)  
     Blockbuster Productions Corporation (Delaware) (100%)  
     New River Entertainment Corporation (Delaware) (100%)  
     SEGI Holding Corp. (Delaware) (100%)

Blockbuster Promotions Inc. (Delaware)

Blockbuster SC Holding Corporation (Delaware)  
     Blockbuster SC Music Corporation (Delaware) (100%)  
     Blockbuster SC Video Holding Corporation  
         Blockbuster SC Video Operating Corporation (Delaware) (100%)  
         TS Video, Inc. (Louisiana) (100%)

Blockbuster Video Canada Inc. (Canada (Ontario))  
     Extra Provincial Registration - New Brunswick (Canada (Ontario))  
         (100%)  
     Extra Provincial Registration - British Columbia (Canada (Ontario))  
         (100%)  
     Extra Provincial Registration - Manitoba (Canada (Ontario)) (100%)  
     Extra Provincial Registration - Quebec (Canada (Ontario)) (100%)  
     Extra Provincial Registration - Saskatchewan (Canada (Ontario)) (100%)  
     Extra Provincial Registration - Nova Scotia (Canada (Ontario)) (100%)  
     Extra Provincial Registration - Newfoundland (Canada (Ontario)) (100%)  
     Extra Provincial Registration - Prince Edward Island (Canada  
         (Ontario)) (100%)

Blockbuster Video International Corporation (Delaware)  
     Blockbuster Australia Pty Ltd. (Australia) (100%)  
         Blockbuster Video Superstores (Australia) Pty Limited  
             (Australia) (100%)  
     Blockbuster Japan Ltd. (Japan) (50%)  
     Blockbuster Video Deutschland GmbH (Germany) (100%)  
     Blockbuster Video de Mexico S. de R.L. (Mexico) (100%)  
     Blockbuster Video Italy, Inc. (Delaware) (100%)

Erol's Inc. (Delaware) (100%)

Houston Video Venture, Inc. (Florida) (100%)

Major Video Corp. (Nevada) (100%)  
     Major Video National Advertising Council Corporation (Non-Profit)  
     (Nevada) (100%)  
     Major Video Super Stores, Inc. (Nevada) (100%)

M.R.E. Enterprises, Inc. (Florida) (100%)  
 UIV Acquisition Corporation (Delaware) (100%)



UI Video Stores, Inc. (Colorado) (100%)  
Blockbuster Amusement Corporation (Delaware) (100%)  
Blockbuster Entertainment Corporation (Delaware) (100%)  
Blockbuster Music U.S. Corporation (Delaware) (100%)  
Blockbuster Music International Corporation (Delaware) (100%)  
Blockbuster Video U.S. Corporation (Delaware) (100%)  
Blockbuster Videos, Inc. Trademark Registration (Australia) (100%)  
Focus Video Pty Ltd. (Australia) (100%)

Theme Parks

1020917 Ontario Inc. (Canada (Ontario))  
    Paramount Canada's Wonderland Inc. (Canada (Ontario)) (100%)  
        809623 Ontarion Inc. (Canada (Ontario)) (100%)  
CPW Investments Ltd., L.P. (Delaware)  
    Kings Island Company (Delaware) (99%)\*  
        KIC Investments Inc. (Delaware) (100%)  
        Western Row Properties, Inc. (Ohio) (100%)  
    Maarten Investerings Partnership (New York) (98.0222%)\*  
Nine W Inc. (Delaware)  
    CPW Holdings Inc. (Delaware) (100%)  
Paramount Communications Realty Corporation (Delaware)  
    Paramount Parks Inc. (Delaware) (100%)

PUBLISHING

Ginn Publishing Canada Inc. (Canada (Federal))  
    GLC Publishers Limited (Canada (Ontario)) (100%)  
    Ginn Publishing (Canada) Limited (Canada (Federal)) (100%)  
Paramount Communications Acquisition Corporation (Delaware)  
    Prentice-Hall, Inc. (Delaware) (100%)  
        Appleton & Lange, Inc. (Delaware) (100%)  
        Arco Publishing, Inc. (Delaware) (100%)  
        Brady Communications Company, Inc. (District of Columbia)  
            (100%)  
        Center for Applied Research in Education, Inc., The  
            (Delaware) (100%)  
        Computer Curriculum Corporation (Delaware) (100%)  
        Direct Response Associates, Inc. (Connecticut) (100%)  
        EBF Liquidating Company, Inc. (District of Columbia) (100%)  
        Electronic Publishing, Inc. (New York) (100%)  
        Executive Reports Corporation (New Jersey) (100%)  
        Executive Tax Reports, Inc. (New York) (100%)

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\* The balance of such subsidiary's outstanding stock is owned by one or more  
direct and/or indirect subsidiaries of Viacom Inc.

Greenvale Editorial Services, Inc. (New York) (100%)  
Institute for Business Planning, Inc. (New York) (100%)  
International Bureau of Software Test, Inc. (Delaware)  
    (100%)  
Katled Liquidating Inc. (Delaware) (100%)  
Living Color Financial Displays, Inc. (Florida) (100%)  
Macmillan, Inc. (Delaware) (100%)  
    Jossey-Bass, Inc., Publishers (California) (100%)  
    Macmillan College Publishing Company, Inc.  
        (Delaware) (100%)  
Master Data Center, Inc. (Michigan) (100%)  
Notgnirrab Inc. (California) (100%)  
Parker Publishing Company, Inc. (New York) (100%)  
Pren-Hall Corporation, The (New York) (100%)

Prentice-Hall Developmental Learning Centers, Inc. (New Jersey) (100%)  
Prentice-Hall Hispanoamericana, S.A. (Mexico) (85%)  
Prentice-Hall International, Inc. (New York) (100%)  
    Editora Prentice-Hall do Brazil Ltda. (Brazil) (50%)  
    Paramount Publishing Europe B.V. (Netherlands) (100%)  
        Paramount Publishing Deutschland GmbH (Germany) (100%)  
        Paramount Publishing Nederland B.V. (Netherlands) (100%)  
        Prentice-Hall (China) Pte. Limited (Hong Kong) (100%)  
    Prentice-Hall (M) Sdn Bhd (Malaysia) (100%)  
    Prentice-Hall Canada Inc. (Canada (Ontario)) (100%)  
        Ginn Publishing Canada Inc. (Canada (Ontario)) (100%)  
Prentice-Hall Learning Systems, Inc. (Delaware) (100%)  
Prentice-Hall of Australia Pty. Limited (Australia) (100%)  
    Brookvale Developments No. 1 Pty. Limited (Australia (NSW)) (100%)  
    Brookvale Developments No. 2 Pty. Limited (Australia (NSW)) (100%)  
    Simon & Schuster (Australia) Pty., Limited (Australia) (100%)  
Prentice Hall of Japan, Inc. (Japan) (100%)  
Prentice-Hall Professional Software, Inc. (Delaware) (100%)  
    Manac-Prentice Hall Software, Inc. (Delaware) (100%)  
Reston Publishing Co., Inc. (Delaware) (100%)  
    Reston Information Systems, Inc. (Pennsylvania) (100%)  
Robert J. Brady Co. (Maryland) (100%)  
Simon & Schuster (Asia) Pte. Ltd. (Singapore) (100%)  
Warren Schloat Productions, Inc. (New York) (100%)

Paramount Communications Holding Company (Delaware)  
    International Book Distributors Limited (United Kingdom) (100%)  
    Ellis Horwood Limited (United Kingdom) (100%)  
    Harvester Press Limited, The (United Kingdom) (100%)  
    Prentice-Hall International (U.K.) Ltd. (United Kingdom) (100%)  
    Simon & Schuster Limited (United Kingdom) (100%)  
    Wheatsheaf Books Limited (United Kingdom) (100%)  
    Woodhead-Faulkner (Publishers) Limited (United Kingdom) (100%)  
        Fitzwilliam Publishing Limited (United Kingdom) (100%)  
    Publishing FSC Ltd. (US Virgin Islands) (100%)  
PCI'S Holdings Corporation (Delaware)  
    Esquire Films, Inc. (Delaware) (100%)  
    Globe Fearon Inc. (California) (100%)  
    Simon & Schuster, Inc. (New York) (100%)  
        A-R Acquisition Corp. (Delaware) (100%)  
        Regents Publishing Co., Inc. (New York) (65%)\*  
        Japan Regents Publishing Company Inc. (Japan) (100%)  
    Green Tiger Press, Inc. (California) (100%)

H.M. Gousha Company, The (California) (100%)  
IMR Acquisition Corp. (Delaware) (100%)  
J.K. Lasser, Inc. (Delaware) (100%)  
Latin American Press, Inc. (Liq.) (New York) (100%)  
Plaza Publishing Corporation (Liq.) (Delaware) (100%)  
Pocket Books of Canada, Ltd. (Canada (Federal)) (100%)  
Pocket Books, Inc. (Liq.) (Delaware) (100%)  
Silver Burdett Ginn Inc. (Delaware) (100%)  
    American Teaching Aids, Inc. (California) (100%)  
Simon & Schuster Enterprises, Inc. (Delaware) (100%)  
Simon & Schuster of Canada (1976) Ltd. (Canada (Federal))  
    (100%)  
Summit Books, Inc. (Liq.) (Delaware) (100%)  
Total Warehouse Services Corporation (Delaware) (100%)  
Washington Square Press, Inc. (Liq.) (New York) (100%)  
Young Reader's Press, Inc. (Delaware) (100%)

#### CABLE TELEVISION

Viacom International Inc. (Delaware)  
    Tele-Vue Systems, Inc. (Washington) (100%)  
        Broadview Television Company (Washington) (100%)  
        Cable TV of Marin, Inc. (California) (100%)  
        Cable TV of Puget Sound, Inc. (Washington) (100%)  
        Channel 3 Everett, Inc. (Washington) (100%)  
        Clear View Cable Systems, Inc. (California) (100%)

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\* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

Com-Cable TV, Inc. (Delaware) (100%)  
    H-C-G Cablevision, Inc. (California) (100%)  
    Viacom Cablevision Inc. (California) (100%)  
Community Telecable of Bellevue, Inc. (Washington) (100%)  
Community Telecable of Seattle, Inc. (Washington) (100%)  
Contra Costa Cable Co. (Washington) (100%)  
Crockett Cable System, Inc. (California) (100%)  
Everett Cablevision, Inc. (Washington) (100%)  
Far-West Communications, Inc. (Oregon) (100%)  
Marin Cable Television, Inc. (California) (100%)  
Television Signal Corporation (California) (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%)  
VSC Cable Inc. (Delaware) (100%)

#### MISCELLANEOUS

Future General Corporation (Delaware) (100%)  
    Magicam, Inc. (Delaware) (83.5%)  
Gulf & Western Holdings Limited (Bahamas) (100%)  
    Gulf & Western Limited (Bahamas) (100%)  
Gulf & Western International N.V. (Netherlands Antilles)  
Viacom International Inc. (Delaware)  
    Broadcast Leasing Inc. (Delaware) (100%)  
    CPW Investments Ltd., L.P. (Delaware) (98%)\*

Glendale Property Corp. (Delaware) (100%)  
 LT Holdings Inc. (Delaware) (100%)  
 PCI'S Holdings Corporation (Delaware) (100%)  
     Energy Development Associates, Inc. (Delaware) (100%)  
     Fifty-Sixth Century Antrim Iron Company, Inc. (Delaware)  
         (100%)  
     G & W Leasing Company (Delaware) (100%)  
     G & W Natural Resources Company, Inc. (Delaware) (100%)  
         Kilo Mining Corporation (Pennsylvania) (100%)  
         New Jersey Zinc Exploration Company, The  
             (Delaware) (100%)  
                 Casmo Mining, Ltd. (Canada (B.C.)) (95%)  
                 New Jersey Zinc Exploration Company  
                     (Canada) Ltd. (Canada (Federal))  
                         (100%)

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 \* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

    Quemahoning Coal Processing Company (Pennsylvania)  
         (100%)  
     Saucon Valley Iron and Railroad Company, The  
         (Pennsylvania) (100%)  
     Solar Service Company (Delaware) (100%)  
     Trans-American Resources, Inc. (Delaware) (100%)  
     Gloucester Titanium Company, Inc. (Delaware) (100%)  
     Gulf & Western Casket Corporation (Delaware) (100%)  
     Gulf & Western Indonesia, Inc. (Delaware) (100%)  
     Merritt Inc. (Delaware) (100%)  
     Nine W Inc. (Delaware) (100%)  
     Paramount Communications Acquisition Corporation (Delaware)  
         (100%)  
     Paramount Communications Holding Company (Delaware) (100%)  
     EWB Corporation (Delaware) (100%)  
     Gulf & Western International Holdings B.V.  
         (Netherlands) (100%)  
     Gulf & Western Overseas, B.V. (Liq.) (Netherlands)  
         (100%)  
         Bonney Forge International Ltd. (Liq.)  
             (Scotland) (100%)  
         C.I.P.G. (No. 3) (Liq.) (United Kingdom)  
             (100%)  
         C.I.P.G. (No. 5) (Liq.) (United Kingdom)  
             (100%)  
         Gilwise Ray Materials (U.K.) Co. (Liq.)  
             (United Kingdom) (100%)  
         Gracemark Ltd. (Liq.) (United Kingdom)  
             (100%)  
         Gulf & Western do Brazil Industria e  
             Comercio Limitada (Brazil)  
                 (69%)\*  
         Gulf & Western Group Limited (Liq.)  
             (United Kingdom) (100%)  
         Gulf & Western Limited (Liq.) (United  
             Kingdom) (100%)  
         Paramount Communications Limited (United  
             Kingdom) (100%)  
         Stockfast Limited (Liq.) (United  
             Kingdom) (100%)  
         Widewell Ltd. (Liq.) (United Kingdom)

(100%)  
 International Raw Materials Limited (Bahamas)  
 (100%)  
 Abaco Farms, Limited (Bahamas) (100%)  
 Belhaven Limited (Bahamas) (100%)  
 Katled Systems Inc. (Delaware) (99.9%)\*  
 Katled Systems GmbH (Liq.) (Germany)  
 (100%)  
 Paramount Communications Realty Corporation (Delaware)  
 (100%)  
 Paramount Communications Properties Inc.  
 (Delaware) (100%)  
 Paramount-Immobiliare Inc. (Delaware) (100%)  
 Premier House, Inc. (Delaware) (100%)  
 Special Effects Merchandise, Inc. (Delaware)  
 (100%)  
 Third Century Company (Delaware) (100%)  
 TRF III Entertainment, Inc. (Delaware) (100%)

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 \* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

Wilshire Court Productions, Inc. (Delaware) (100%)  
 Direct Court Productions, Inc.  
 (Delaware) (100%)  
 Park Court Productions, Inc. (Delaware)  
 (100%)  
 Talent Court Productions, Inc.  
 (Delaware) (100%)  
 Woburn Insurance Ltd. (Bermuda) (100%)  
 PCCGW Company, Inc. (Delaware) (99%)\*  
 Scott Mattson Farms, Inc. (Florida) (100%)  
 Taylor Forge Memphis, Inc. (Delaware) (100%)  
 Thirteenth Century Corporation (Delaware) (100%)  
 Thirtieth Century Corporation (Delaware) (100%)  
 Manac Development Corporation (Delaware) (100%)  
 Universal American Corporation (Delaware) (100%)  
 Shootward Limited (United Kingdom) (100%)  
 Soakcroft Limited (United Kingdom) (100%)  
 Viacom Capital Ownership Inc. (Delaware) (100%)  
 Viacom International Inc. Political Action Committee Corporation (New  
 York) (100%)  
 Viacom K-Band Inc. (Delaware) (100%)  
 Viacom MGS Services Inc. (Delaware) (100%)  
 Viacom Shopping Inc. (Delaware) (100%)  
 Viacom Telecom Inc. (Delaware) (100%)  
 Viacom Telecommunications (D.C.) Inc. (Delaware) (100%)  
 Viacom World Wide Ltd. (New York) (100%)

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 \* The balance of such subsidiary's outstanding stock is owned by one or more direct and/or indirect subsidiaries of Viacom Inc.

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (No. 33-59356 and No. 33-55785) of Viacom Inc. and Viacom International Inc. and Form S-8 (No. 33-41394, No. 33-56088, No. 33-55173, and No. 33-55709) of Viacom Inc., of our reports dated February 10, 1995, which appear on pages II-14 and F-2 of this Form 10-K.

PRICE WATERHOUSE LLP

New York, New York  
March 31, 1995

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 and Michael Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (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 23rd day of March, 1995.

/s/ Sumner M. Redstone  
-----  
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 and Michael Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (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 23rd day of March, 1995.

/s/ George S. Abrams  
-----  
George S. Abrams

VIACOM INC.

Power of Attorney

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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, 1994 (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 23rd day of March, 1995.

/s/ Steven R. Berrard  
-----  
Steven R. Berrard

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 and Michael Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (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 23rd day of March, 1995.

/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 and Michael Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (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 23rd day of March, 1995.



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

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 and Michael Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (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 23rd day of March, 1995.

/s/ George D. Johnson, Jr.  
-----  
George D. Johnson, Jr.

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 and Michael Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (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 23rd day of March, 1995.

/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 and Michael Fricklas his true lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (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 23rd day of March, 1995.

/s/ Brent D. Redstone  
-----  
Brent D. Redstone

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 23rd day of March, 1995.

/s/ Shari Redstone  
-----  
Shari Redstone

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 23rd day of March, 1995.

/s/ Frederic V. Salerno  
-----  
Frederic V. Salerno

VIACOM INC.

Power of Attorney

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IN WITNESS WHEREOF, I have hereunto signed my name this 23rd day of March, 1995.

/s/ William Schwartz  
-----  
William Schwartz

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