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*** Any faculty user of this case in a college or university setting may contact Dr. Raymond H. Lopez, Department of Finance, Lubin School of Business, Pace University, 1 Martine Avenue, White Plains, NY 10606-1932, for the solution manual.**

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BACKGROUND OF THE VIACOM OFFER FOR PARAMOUNT

From time to time over the past four years, Sumner M. Redstone and Martin S. Davis held discussions concerning the possibility of a business merger between their respective companies. Although these discussions were considered preliminary and inconclusive, they were predicated on the belief that the two firms "would constitute an excellent strategic fit and would further the long-term business plans and strategies of each company."[1]

On April 20, 1993, at the invitation of Robert Greenhill, currently chief executive officer of Smith Barney, Messrs, Redstone and Davis met with Mr. Greenhill. During the course of their discussions they agreed preliminarily to explore once again the possibility of combining the two companies.

During the period from April through late June 1993, representatives of the two firms engaged in sporadic preliminary and inconclusive discussions concerning certain possible terms of a business combination. During the week of June 28, Messrs. Redstone and Davis agreed to explore seriously the possibility of a business combination.

On July 1, 1993, the two firms executed and exchanged confidentiality agreements in anticipation of exchanging confidential information and conducting due diligence. (This information was not actually exchanged until the week of September 6, 1993). Discussions between the firms continued and, on July 6, Messrs. Redstone and Davis met, accompanied by their financial and legal advisors. In addition to Mr. Greenhill, attendees included Philippe P. Dauman, senior vice president and general counsel of Viacom, Donald Oresman, executive vice president and general counsel of Paramount, and Felix Rohatyn of Lazard Freres.

Viacom's representatives expressed a willingness to negotiate a transaction based upon a value of $63 per share, conditioned upon Paramount's willingness to grant Viacom an option to acquire from the company shares representing up to 20 percent of Paramount's then outstanding shares, at an exercise price of the then current market price of the company's common stock. In addition, Viacom asked for a fee in an amount to be negotiated, plus expenses, in the event the transaction did not close. Viacom also proposed that the firms explore entering into other business transactions, including possible joint venture agreements, simultaneously with entering into a merger agreement. Discussions were terminated on July 7, 1993, due to the belief of both groups that they would be unable to reach agreement on the above-mentioned terms.

On August 20, Messrs. Redstone, Davis and Greenhill met once again to discuss the feasibility and terms of a business combination. They agreed to authorize their respective senior managements and advisors to explore terms upon which they might reach agreement on a deal. On August 25 discussions were terminated primarily due to disagreement over the price to be offered to Paramount shareholders and Viacom's insistence on a stock option at market and a termination fee in the amount of $150 million, plus expenses.

In early September, a series of discussions ensued between advisors of the two firms. On September 7, Messrs. Dauman and Oresman, as well as financial and legal advisors to both firms, met to discuss the principal terms of a possible business combination. Following this meeting Messrs. Redstone and Davis met to review the status of the discussions. Based on that review Messrs. Redstone and Davis agreed to direct their respective senior managements and advisors to conduct due diligence, exchange and negotiate transaction documentation, and otherwise seek to reach agreement on all terms for a business combination between the parties.

From September 8 through September 11, senior managements of both firms, assisted by their legal and financial advisors, held meetings and negotiated the original merger agreement, the original stock option agreement, and the original voting agreement between Paramount and NAI, a company controlled by Mr. Redstone. NAI was the controlling stockholder of Viacom and it agreed to vote its shares of Viacom Class A common stock in favor of the merger.

At a regularly scheduled meeting on September 9, 1993, the Paramount board of directors met and reviewed the status of negotiations. They also received an analysis of the businesses of Viacom and Paramount and an analysis of certain other merger transactions.

On September 12, the boards of directors of both firms met separately and approved the transactions. Viacom and Paramount entered into various agreements relating to these transactions and publicly announced their agreement to merge.

VIACOM INC.

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

Viacom Inc. was organized in Delaware in 1986 for the purpose of acquiring Viacom International, Inc. As of December 31, 1993, National Amusements, Inc (NAI), a closely held corporation that operated approximately 850 movie screens in the United States and the United Kingdom, owned 45,547,214 shares or 85.2 percent of the Class A common stock and 46,565,414 shares or 69.1 percent of the Class B common stock outstanding on that date. Sumner M. Redstone, the controlling shareholder of NAI, was the chairman of the board of Viacom Inc. and Viacom International, Inc. The principal asset of Viacom Inc. was the common stock of Viacom International, Inc.

Viacom International, Inc. was a diversified entertainment and communications company with operations in four principal business segments: Networks, Entertainment, Cable Television, and Broadcasting.

Viacom Networks

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

Viacom Networks also distributed special events and feature films on a pay-per-view basis through SET PAY PER VIEW and packaged satellite-delivered program seminars for distribution to home satellite dish owners through SHOWTIME SATELLITE NETWORKS. Through it operation of the Showtime Entertainment Group, Viacom Networks also arranged for the development and production of original programs and motion pictures, including feature films under the Viacom Pictures label. These original programs and motion pictures premiered domestically on SHOWTIME and certain of such programming is exploited in various media worldwide.

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

Viacom Entertainment

There were five business units operating within Viacom Entertainment. Viacom Enterprises distributed television series, feature films, made-for-television movies, miniseries, and specials for television exhibition in various markets throughout the world. It also distributed television series for initial United States television exhibition on a non-network (first run) basis and for international television exhibition. Feature film and television properties were acquired from third parties or resulted from the company's own production activities, including television properties produced by Viacom Productions and certain television properties produced by or for MTV Networks. Third-party agreements for the acquisition of distribution rights were generally long term and exclusive in nature. These agreements frequently guaranteed minimum recoupable advance payment to such third parties and generally provided for periodic payments to such third parties based on revenues derived from distribution activities after deduction of the Viacom Enterprises percentage distribution fee, recoupment of distribution expenses, and recoupment of any advance payments. The firm currently held domestic and/or international television distribution rights to approximately 5,000 half-hour series episodes, 2,000 one-hour series episodes, 1,500 feature films and television movies, and 30 miniseries.

Viacom Production produced television series and other television properties independently and in association with others. These programs had as their primary market U.S. prime time network television. These programs, which include television movies, series, and miniseries, were also a source of product for Viacom's distribution activities.

Viacom New Media was formed in 1992 as the company's interactive publishing division. It developed, produced, distributed, and marketed interactive software for the stand-alone and other multimedia marketplaces. ICOM Simulations, Inc., an interactive software development company, was acquired by Viacom in May 1993, and was integrated into this division of the firm.

Viacom World Wide Ltd. explored and developed international business opportunities in all media, with primary focus on countries with recently deregulated television industries. The division worked closely with Viacom's other operating units in coordinating the identification of international business opportunities. It also provided consulting services for companies outside the United States.

Viacom MGS Services was the final component of this business unit. It distributed, duplicated, and stored taped and filmed television commercials, radio commercials, and other programs for advertisers and agencies, production houses, and industrial and educational customers.

Viacom Cable Television

In 1993 the Viacom Cable operations were the 13th largest multiple cable television system operator in the United States with just over 1 million subscribers. This business unit offered two tiers of primary (non-premium) service: "Limited Service," which consisted generally of local and distance broadcast stations and all public, educational, and governmental channels ("PEG") required by local franchise authorities; and the "Satellite Value Package," which provided additional channels of satellite-delivered cable networks. The major source of system revenue was monthly service fees from these two levels of primary cable service.

Monthly service fees for Limited Service and the Satellite Value Package were regulated under the Cable Television Consumer Protection and Competition Act of 1992. Monthly fees to customers for primary service could vary by geographic area and currently ranged from $9.00 to $14.84 for Limited Service and from $21.25 to $25.78 for the combination of Limited Service plus the Satellite Value Package. In each case the fee covered all of an individual customer's television connections. Viacom offered customers its own basic programming services, as well as third-party services such as CNN and ESPN. In many cases an installation charge was levied but did not constitute a significant source of revenue. Customers were free to discontinue service at any time. All of Viacom Cables' systems operated under the rate regulations specified in the Cable Act of 1992.

VIACOM INC.
CABLE OPERATIONS

	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(4)	Miles of Cable Distribution
Bay Area Region							
Marin(7)	81,000	79,600	61,800	78%	30,200	49%	638
Sonoma(7)	45,000	44,700	34,500	77%	17,000	49%	514
Napa(7)	33,000	32,600	22,900	70%	11,800	52%	302
East Bay/Castro Valley(7)	85,000	85,400	70,800	83%	53,700	76%	668
Pittsburg/Pinhole(7)	72,000	71,400	53,600	75%	37,900	71%	511
San Francisco	354,500	334,000	161,800	48%	117,700	73%	709
Total Bay Area Region	670,500	647,700	405,400	63%	268,300	66%	3,342
Ore-Cal Region							
Redding(7)	55,800	53,400	35,400	66%	17,400	49%	629
Oroville(7)	42,600	38,700	25,100	65%	8,800	35%	482
Salem	74,400	72,300	42,500	59%	21,700	51%	600
Total Ore-Cal Region	172,800	164,400	103,000	63%	47,900	47%	1,711
Puget Sound Region(7)	614,300	595,900	408,600	69%	253,200	62%	6,123
Mid-West Region							
Nashville(7)	265,000	227,100	125,400	55%	99,000	79%	2,222
Dayton	98,000	94,800	51,700	55%	49,700	96%	633
Total Mid-West Region	363,000	321,900	177,100	55%	148,700	84%	2,855
Total Viacom Cable	**1,820,600**	**1,729,900**	**1,094,100**	**63%**	**718,100**	**66%**	**14,031**

(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.

Note: As of December 31, 1993.
Source: Viacom Inc. 10-K, 1993.

Viacom Cable also offers premium cable television programming, including the company's premium subscription television services, to its customers for an additional monthly fee of up to $12.25 per premium service. Currently, premium cable television program services had approximately 718,000 subscriptions.

Another revenue source for the cable unit came from sales of available advertising spots on advertiser-supported programming. The company also shared revenues generated from sales of products on home shopping services offered by Viacom Cable to its customers.

Viacom Broadcasting

This business unit was engaged in the operation of five television and 14 radio stations. These stations operated pursuant to the Communications Act of 1934, as amended, and licensed granted by the FCC. Television station licenses were renewable every five years while radio licenses were renewable every seven years.

Each of the company's television stations was affiliated with a national television network. Such affiliations could be advantageous to the firm because network programming was often competitively stronger and resulted in lower programming costs than would otherwise be necessary to obtain programming from alternative sources. It was fully expected that the affiliation agreements expiring in 1994 would be renewed.

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

VIACOM INC.
VIACOM TELEVISION STATION PROPERTIES

Station and Metropolitan Area Served	Type	Network Affiliation and Expiration Date of Agreement	Year Acquired
KMOV-TV St. Louis, MO	VHF	CBS/December 31, 1994	1986
WVIT-TV Hartford-New Haven New Britain-Waterbury, CT	UHF	NBC/July 2, 1995	1978
WNYT-TV Albany-Troy-Schenectday, NY	VHF	NBC/September 28, 1980	1995
KSLA-TV Shreveport, LA	VHF	CBS/June 30, 1995	1983
WHEC-TV	VHF	NBC/August 13, 1994	1983

Source: Viacom Inc. 10-K, 1993.

Through its Viacom Radio division unit, the company owned and operated 14 AM and FM radio stations in the United States. These stations generally had specialized program formats targeted to specific audiences. In addition, the station's programming included entertainment, news, religion, sports, education, and other topics of general interest. The stations also provided for public affairs, educational, and cultural programs, and for discussion of local and national issues.

VIACOM INC.
VIACOM RADIO STATION PROPERTIES

Station and Metropolitan Area Served	Frequency	Power Watts	Radio Station Format	Year Acquired
WLTW-FM New York, NY	106.7 MHZ	50,000	Adult Contemporary	1980
WLIT-FM Chicago, IL	93.9 MHZ	50,000	Adult Contemporary	1982
WLITI-FM Detroit, MI	93.1 MHZ	50,000	Adult Contemporary	1988
WMZQ-AM-FM				
Washington, D.C. (AM)	1390 KHz	5,000	Country	1984
(FM)	98.7 MHZ	50,000		1980
WCXR-FM	105.4 MHZ	50,000	Classic Rock	1993
WCPT-AM Washington, D.C.	730 KHz	5,000D* 20N*	CNN Headline News	1993
KBSG-AM-FM				
Tacoma/Seattle, WA (FM)	97.3 MHZ	100,000	Oldies	1987
(AM)	1210 KHz	10,000D* 1,000N*		1989
KNDD-FM Seattle, WA	107.7 MHZ	100,000	New Rock (AOR)	1992
KYSR-FM Los Angeles, CA	98.7 MHZ	75,000	Adult Contemporary	1990
KXEZ-FM Los Angeles, CA	100.3 MHZ	50,000	Adult Contemporary	1993
KSRY-FM San Francisco, CA	98.9 MHZ	50,000	Adult Contemporary	1990
KSRI-FM Santa Cruz/San Jose, CA	99.1 MHZ	50,000	Adult Contemporary	1990

* D/N = Day/Night
Source: Viacom Inc., 10-K, 1993.

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

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

RATIONALE FOR THE MERGER AND PLANS FOR THE COMPANY

Viacom intended to maintain and expand the existing Paramount business operations and promptly pursue new business opportunities made available as a result of the merger. Some of these new opportunities included, among other things, the cross-promotion of existing businesses. For example, Viacom would be able to use NICKELODEON and MTV trademarks and characters in connection with motion picture products at the Paramount studios and in their theme parks.

Another possibility would be the utilization of distribution capabilities of each firm to distribute products of the other. An example would be distribution of Paramount's theatrical motion picture library on an existing or new cable network of Viacom. Development of a broadcast network could be accelerated by bringing together the stations of both firms.

New businesses could be created based upon the management and creative skills of the surviving corporation. One example would be development of retail stores based on the combined characters and trademarks of Paramount and Viacom.

Viacom had also taken the position that the overall business and financial risks of the combined entity could be reduced by, among other things, ensuring the company's access to pay and basic cable networks of Viacom for distribution of Paramount motion pictures.

In the areas of entertainment and new media businesses, it was the belief of Viacom's management that combining their extensive motion picture and television libraries with those of Paramount would enhance the profit generating potential of the combined firm.

The new firm's management structure was expected to be as follows. Sumner M. Redstone, currently chairman of the Board of Directors of Viacom, would remain chairman of the board of the surviving corporation. Martin S. Davis, currently chairman of the Board of Directors and chief executive officer of Paramount, would become chief executive officer and a director of the surviving corporation. In addition to Mr. Redstone and Mr. Davis, Frank J. Biondi, Jr., president and chief executive officer of Viacom, and Stanley R. Jaffe, president and chief operating officer of Paramount, would head a transition team that would be responsible for the combining of the senior management and the cultures of the surviving corporation.

In addition, during the battle for Paramount, Viacom had obtained financial support from NYNEX Corporation and Blockbuster Entertainment Corporation. Viacom management expected that these newly developed strategic relationships would provide the surviving corporation with additional business opportunities that would not be available in the absence of this merger.

RATIONALE FROM VIACOM'S PERSPECTIVE

Viacom benefited enormously by owning Paramount. Paramount had a top-rated production facility from which it could produce programming for Viacom's cable networks and broadcast stations. Viacom would also gain access to a 900-title library of feature films, in addition to television programming such as "Cheers" and "Taxi."

The balance sheet of the new company would also improve tremendously. Prior to the merger, Viacom's debt to total capital was 76 percent, whereas once it merged with Paramount, the combined company's debt to total capital would be 40 percent.

Viacom was currently prohibited from paying a dividend due to a covenant in a credit agreement. The covenant would most likely be lifted because of a strong balance sheet and allow them to pay dividends. This would attract investors who where prevented from investing in Viacom because it did not pay a dividend.

The return on sales for Viacom and Paramount were 3.55 percent and 6.3 percent, respectively. As one entity, the return on sales ratio would increase to 19.5 percent. This figure was based on analysts' projections that the new entity would grow at 12 percent for three to five years, and that the company's cost of goods sold would be 55 percent of revenues (See Exhibit V-2 for key ratios).

Return on assets for the combined company would reach 11.8 percent based on the same assumptions. This new percentage should be compared with 1.53 percent for Viacom and 3.8 percent for Paramount in their last fiscal years prior to the merger. This increase showed that the new company would use these assets more efficiently, and that the combined assets would better fund the growth of revenues.

The return on equity also showed a great improvement, increasing to over 27 percent. Previously, this ratio was 8.75 percent for Viacom and 6.7 percent for Paramount. This ratio was significant to investors because they wanted a respectable return on their money.

Overall, Paramount Viacom International would become a more stable company with a strong balance sheet and income statement. The new company would be attractive to investors because it offered stability and a great rate of return, if the predicted synergies were achieved.

FINANCIAL IMPLICATIONS OF VIACOM'S PLANS AFTER A PARAMOUNT MERGER

In order to support its original bid for Paramount, Viacom's management had to make a variety of assumptions concerning future operating characteristics of both firms, independently and combined. For example, Viacom anticipated that its revenue growth rate would be 10 percent on its own, but 12 percent due to enhanced opportunities from a Paramount combination.

Cost of goods sold had been ranging between 44 and 46 percent for Viacom over the past few years and these could be expected to decline a few percentage points after a merger. Selling, and general, and administrative expenses could also benefit from a deal. Conservatively, 2 percentage points could be saved over the levels of the prior few years.

Viacom's common stock had been quite volatile during the 1990s and had a Beta coefficient of 1.6 at the time of negotiations. Such a level contributed to a relatively high cost of equity capital. With a Paramount Beta of only .8 in late 1993 a combined firm would most likely have a Beta much closer to 1 than Viacom's 1.6. With a more conservative (lower debt levels) capital structure than Viacom would likely achieve anytime in the 1990s, capital costs would be reduced and more company projects would be financially viable. Growth in revenues might be enhanced even more than the above-mentioned estimates.

Viacom's long-term debt/total capital ratio had been a very high 75 percent in recent years prior to the merger, and its total debt/total capital ratio exceeded 85 percent. No doubt this extremely high degree of financial leverage contributed to the high Beta observed above. Depending on the financial structure of a deal, this ratio could be expected to be in the range of 50-60 percent. With some sales of non-strategic assets, it could be brought down below 50 percent, contributing to a lower Beta. Coverage ratios would also be enhanced and one could reasonably expect incrementally higher price-earnings and price-cash flow ratios for a combined firm than for Viacom without a merger.

EXHIBITS

EXHIBIT V-1

Viacom Inc.
Selected Financial Data
(In millions, except per share data)

	1992	1991	1990	1989
Revenues	1,864.7	1,711.6	1,599.6	1,436.2
Earnings from operations	347.9	312.2	223.8	144.7
Earnings (loss) before extraordinary items and cumulative effect of change in accounting principle	66.1	(46.6)	(89.8)	131.1
Net earnings (loss)	49.0	(49.7)	(89.8)	131.1
Net earnings (loss) attributable to common stock	49.0	(49.7)	(89.8)	113.6
Net earnings (loss) per common share:				
Earnings (loss) before extraordinary items and cumulative effect of change in accounting principle	.55	(.41)	(.84)	1.06
Net earnings (loss)	.41	(.44)	(.84)	1.06
At year end:				
Total assets	4,317.1	4,188.4	4,027.9	3,753.0
Long-term debt	2,397.0	2,320.9	2,537.3	2,283.1
Shareholder's equity	756.5	699.5	366.2	456.0

Note: Years ended December 31
Source: Viacom Inc., 10-K, 1993

EXHIBIT V-2

Viacom Inc. and
Viacom International, Inc. and Subsidiaries
Consolidated Statements of Operations
(Thousands of dollars, except per share amounts)

	1993	1992	1991	1990
Revenues	2,004.9	1,864.7	1,711.6	1,599.6
Expenses:				
Operating	877.6	854.0	790.8	778.2
Selling, general, and administrative	589.6	520.0	475.6	460.2
Depreciation and amortization	153.1	144.8	132.9	137.4
Total expenses	1,620.0	1,516.8	1,399.3	1,375.8
Earnings from operations	385.0	347.9	312.2	223.8
Other income (expense):				
Interest expense, net	(145.0)	(194.1)	(297.5)	(293.7)
Other items, net	61.8	1.8	(6.5)	(.05)
Earnings before income taxes	301.8	155.6	8.2	(70.4)
Provision for income taxes	129.8	84.8	42.0	20.4
Equity in loss of affiliated companies, net of tax	(2.5)	(4.6)	(12.7)	0.9
Earnings (loss) before extraordinary losses and cumulative effect of change in accounting principle	169.5	66.1	(46.6)	(89.9)
Extraordinary losses, net tax	(8.9)	(17.1)	(3.1)	
Cumulative effect of change in accounting principle	10.3			
Net earnings (loss)	171.0	49.0	(49.7)	(89.9)
Cumulative convertible preferred stock dividend requirement of Viacom Inc.	12.8			
Net earnings (loss) attributable to common stock	158.2	49.0	(50.0)	(89.9)
Weighted average number of common shares	120.6	120.2	113.8	(106.7)
Net earnings (loss) per common share:				
Earnings (loss) before extraordinary losses and cumulative effect of change in accounting principle	1.30	.55	(.41)	(.84)
Extraordinary losses	(.07)	(.14)	(.03)	
Cumulative effect of change in accounting principle	.08			
Net earnings (loss)	1.31	.41	(.44)	(.84)

Source: Viacom Inc., 10-K, 1993.

EXHIBIT V-3
Viacom Inc.
Consolidated Balance Sheets
(Millions of dollars)

	1992	1991
Current Assets:		
Cash and cash equivalents	48.4	28.7
Receivables	372.4	322.7
Distribution fees advanced and committed, current	19.6	35.4
Program rights and deferred program costs, current	253.7	240.3
Prepaid distribution costs	89.7	75.2
Other current assets	13.2	15.8
Total current assets	797.0	718.1
Property and Equipment:		
Land	17.9	16.6
Buildings	37.5	36.3
Cable television systems	388.2	354.6
Broadcasting facilities	50.7	47.9
Equipment and other	258.6	155.2
Construction in progress	10.9	18.2
	763.8	628.8
Less accumulated depreciation	306.5	249.0
Net property and equipment	457.3	379.8
Distribution fees advanced and committed, non-current	228.8	257.5
Program rights and deferred program costs, non-current	423.5	355.8
Investments and advances to affiliated companies	51.9	44.1
Intangibles	2,195.9	2,281.6
Other assets	162.8	151.3
Total assets	4,317.2	4,188.2
Current Liabilities		
Accounts payable	71.2	70.9
Accrued compensation	19.8	20.6
Accrued interest	38.2	42.0
Deferred income, current	68.3	44.5
Other accrued expenses	271.2	178.0
Income taxes	96.5	110.3
Owners' share of distribution revenue	158.4	219.2
Program rights, current	188.0	190.2
Current portion of long-term debt	—	.05
Total current liabilities	911.6	875.8
Long-term debt	2,397.0	2,320.9
Distribution fees committed	21.1	4.5
Program rights, non-current	92.9	103.8
Other liabilities	138.1	153.7
Shareholder's Equity		
Preferred stock		
Class A common stock, par value $.01	0.5	0.5
Class B common stock, par value $.01	0.7	0.7
Additional paid-in-capital	917.5	909.4
Accumulated deficit	(162.2)	(211.1)
Total Shareholders' Equity	756.5	699.5
Total Liabilities & Sharholders' Equity	4,317.2	4,188.2

Source: Viacom Inc., 10-K, 1993

EXHIBIT V-4

Viacom Inc. & Viacom International, Inc. & Subsidiaries Consolidated Statements of Cash Flows (Thousands of dollars)

	1992	1991
Net cash flow from operating activities:		
Net earnings (loss)	49.0	(49.7)
Adjustments to reconcile net earnings (loss) to net cash flow from operating activities:		
Depreciation and amortization	144.8	132.9
Interest accretion and interest in kind on debentures	–	59.2
Reserve for litigation	33.0	–
Equity in loss of affiliated companies, net of tax	4.6	12.7
Gain on the sale of the cable system, net of tax	–	–
Gain on the sale of investment held at cost, net of tax	–	–
Extraordinary losses, net of tax	17.1	3.1
Deferred compensation	8.2	12.3
Provision (benefit) for deferred income taxes	15.1	(8.8)
(Decrease) increase in accounts payable and accrued expenses	53.4	6.8
Increase in receivables	(49.8)	(61.9)
Increase in programming related assets and liabilities, net	(137.5)	(66.4)
Increase in income taxes payable	7.4	37.7
(Decrease) increase in deferred income	22.9	(2.4)
(Increase) decrease in unbilled receivables	17.7	(27.6)
Payment of LTIP liability	(68.6)	–
Other, net	(14.4)	21.8
Net cash flow from operating activities	102.0	69.9
Investing Activities:		
Capital expenditures	(110.2)	(72.2)
Investments in and advances to affiliated companies	(23.7)	(44.3)
Advances from affiliated companies	9.4	5.5
Proceeds from sale of cable system and radio station	20.0	–
Proceeds from sale of investment held at cost	–	–
Proceeds from sale of transponders	–	–
Acquisitions	–	–
Deposits on transponders	(9.7)	–
Payment of deferred merger costs	–	–
Other, net	(2.6)	(4.1)
Net cash flow from investing activities	(116.8)	(115.1)
Financing Activities:		
Borrowing from banks under credit facilities	8,344.0	6,695.0
Repayments to banks under credit facilities	(7,968.5)	(6,764.6)
Issuance of notes	250.0	200.0
Redemption of notes and debentures	(549.5)	(407.6)
Issuance of Preferred stock	–	–
Issuance of B common stock	–	–
Payment of deferred financing costs	(22.7)	(5.9)
Payment of premium on redemption of notes	(19.8)	(4.0)
Other, net	924	(18)
Net cash flow from financing activities	34.6	30.9
Net increase (decrease) in cash and cash equivalents	19.7	(14.3)
Cash and cash equivalents at beginning of year	28.7	43.1
Cash and cash equivalent at end of year	48.4	28.7

Source: Viacom Inc., 10-K, 1993

EXHIBIT V-5

Viacom Inc.
Business Segments
(In millions of dollars)

	1993	1992	1991	1990
Revenues:				
Networks	$1,221,200	$1,058,831	$922,157	$843,000
Entertainment	209,110	248,335	273,488	282,200
Cable Television	415,953	411,087	378,026	330,500
Broadcasting	181,778	168,847	159,182	164,000
Inter-company elimination	(23,092)	(22,417)	(21,291)	(20,000)
Total revenues	$2,004,949	$1,864,683	$1,711,562	$1,599,700
Earnings from operations:				
Networks	$272,087	$205,576	$172,296	$90,000
Entertainment	32,480	59,662	73,214	76,400
Cable Television	110,176	122,037	130,954	76,500
Broadcasting	42,293	31,956	27,734	38,300
Corporate	(72,041)	(71,304)	(64,964)	(57,500)
Total earnings from operations	$384,995	$347,927	$312,234	$223,900
Depreciation and amortization:				
Networks	$44,747	$41,754	$30,123	$30,600
Entertainment	9,549	6,792	7,160	7,200
Cable Television	71,520	68,505	66,604	66,800
Broadcasting	23,475	24,509	27,062	26,800
Corporate	3,766	3,242	1,915	6,100
Total depreciation and amortization	$153,057	$144,802	$132,864	$137,500
Identifiable assets at year end:				
Networks	$1,794,418	$1,604,504	$1,453,643	$1,301,800
Entertainment	845,620	829,607	855,357	803,800
Cable Television	963,047	972,066	979,668	993,200
Broadcasting	744,208	722,023	742,650	772,100
Corporate	2,069,575	188,894	157,060	157,000
Total identifiable assets at year end	$6,416,868	$4,317,094	$4,188,378	$4,027,900
Capital Expenditures:				
Networks	$35,786	$26,076	$6,170	$7,600
Entertainment	4,933	7,102	916	1,000
Cable Television	79,482	54,596	44,967	46,300
Broadcasting	4,886	5,102	3,101	4,800
Corporate	9,924	17,346	2,275	16,400
Total capital expenditures	$135,011	$110,222	$57,429	$76,100

Source: Viacom Inc., 10-K, 1993.

EXHIBIT V-6

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

	Viacom Class A Common Stock		Viacom Class B Common Stock	
	High	Low	High	Low
1992				
First quarter	$37¼	$32⅛	$36½	$31¼
Second quarter	38½	32⅜	36⅞	30½
Third quarter	34⅞	30⅞	32⅞	29
Fourth quarter	44	28¼	41⅞	27
1993				
First quarter	$ 46½	$37½	$44⅛	$35¼
Second quarter	52⅝	37⅛	49½	36
Third quarter	67½	50½	61¼	45¾
Fourth quarter	66½	47	60½	40⅜

ENDNOTE

1. Viacom's *Offering Circular*, October 25, 1993, pp. 17, 18.

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