

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 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
incorporation or organization)

(I.R.S. Employer
Identification)

1515 Broadway New York, New York

10036

(Address of principal executive offices)

(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 _____.

Number of shares of Common Stock Outstanding at October 31, 1994:

Class A Common Stock, par value \$.01 per share - 74,415,656

Class B Common Stock, par value \$.01 per share - 282,916,242

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

VIACOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; all amounts, except per share amounts, are in millions)

	Three months ended September 30,	
	1994	1993
Revenues	\$2,131.0	\$508.1
Expenses:		
Operating	1,191.3	212.6
Selling, general and administrative	400.0	145.4
Depreciation and amortization	116.9	39.9
Total expenses	1,708.2	397.9
Earnings from continuing operations	422.8	110.2
Other income (expense):		
Interest expense, net	(162.5)	(36.6)
Other items, net	(4.5)	(3.7)
Earnings from continuing operations before income taxes	255.8	69.9
Benefit (provision) for income taxes	70.9	(36.2)
Equity in earnings (loss) of affiliated		

companies, net of tax	8.6	(2.8)
Minority interest	(.2)	--
	-----	-----
Net earnings from continuing operations	335.1	30.9
Loss from discontinued operations, net of tax (See Note 9)	(7.8)	--
	-----	-----
Net earnings before extraordinary loss	327.3	30.9
Extraordinary loss, net of tax (See Note 5)	--	(8.9)
	-----	-----
Net earnings	327.3	22.0
Cumulative convertible preferred stock dividend requirement	(15.0)	--
	-----	-----
Net earnings attributable to common stock	\$ 312.3	\$ 22.0
	-----	-----
Weighted average number of common shares:		
Primary	221.1	120.6
Fully diluted	247.2	120.6
	-----	-----
Net earnings (loss) per common share:		
Primary:		
Net earnings from continuing operations before extraordinary loss	\$ 1.45	\$.25
Loss from discontinued operations, net of tax	(.04)	--
Extraordinary loss, net of tax	--	(.07)
	-----	-----
Net earnings	\$ 1.41	\$.18
	-----	-----
Fully diluted:		
Net earnings from continuing operations before extraordinary loss	\$ 1.36	\$.25
Loss from discontinued operations, net of tax	(.04)	--
Extraordinary loss, net of tax	--	(.07)
	-----	-----
Net earnings	\$ 1.32	\$.18
	-----	-----

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; all amounts, except per share amounts, are in millions)

	Nine months ended September 30,	
	1994	1993
Revenues	\$4,585.8	\$1,474.6
Expenses:		
Operating	2,834.1	643.1
Selling, general and administrative	1,172.0	412.6
Depreciation and amortization	277.8	112.0
Total expenses	4,283.9	1,167.7
Earnings from continuing operations	301.9	306.9
Other income (expense):		
Interest expense, net	(312.5)	(117.3)
Other items, net (See Note 8)	258.8	63.3
Earnings from continuing operations before income taxes	248.2	252.9
Provision for income taxes	(113.3)	(106.9)
Equity in earnings (loss) of affiliated companies, net of tax	12.3	(2.9)
Minority interest	18.0	--
Net earnings from continuing operations	165.2	143.1
Loss from discontinued operations, net of tax (See Note 9)	(5.0)	--
Net earnings before extraordinary loss and cumulative effect of change in accounting principle	160.2	143.1
Extraordinary loss, net of tax (See Note 5)	(20.4)	(8.9)
Cumulative effect of change in accounting principle	--	10.4
Net earnings	139.8	144.6
Cumulative convertible preferred stock dividend requirement	(60.0)	--
Net earnings attributable to common stock	\$ 79.8	\$ 144.6
Weighted average number of common shares:		
Primary	164.2	120.5
Fully diluted	164.5	120.5
Net earnings per common share:		
Primary:		
Net earnings from continuing operations before extraordinary loss and cumulative effect of change in accounting principle	\$.64	\$ 1.19
Loss from discontinued operations, net of tax	(.03)	--
Extraordinary loss, net of tax	(.12)	(.07)
Cumulative effect of change in accounting principle	--	.08
Net earnings	\$.49	\$ 1.20
Fully diluted:		
Net earning from continuing operations before extraordinary loss and cumulative effect of change in accounting principle	\$.64	\$ 1.19
Loss from discontinued operations, net of tax	(.03)	--
Extraordinary loss, net of tax	(.12)	(.07)
Cumulative effect of change in accounting principle	--	.08
Net earnings	\$.49	\$ 1.20

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited; all amounts are in millions)

	September 30, 1994	December 31, 1993
	-----	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$ 453.7	\$1,882.4
Receivables, less allowances of \$57.9 (1994) and \$33.9 (1993)	1,738.4	351.8
Inventory (See Note 4)	876.4	--
Theatrical and television inventory (See Note 4)	787.6	356.5
Other current assets	752.6	95.7
Net assets of discontinued operations (See Note 9)	754.4	--
Total current assets	----- 5,363.1 -----	----- 2,686.4 -----
Property and equipment, at cost	2,796.3	901.4
Less accumulated depreciation	466.1	347.2
Net property and equipment	----- 2,330.2 -----	----- 554.2 -----
Theatrical and television inventory (See Note 4)	1,663.5	789.5
Intangibles, at amortized cost	16,121.8	2,180.6
Other assets	2,477.0	206.2
	----- \$27,955.6 ----- -----	----- \$6,416.9 ----- -----

See notes to consolidated financial statements.
continued

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
(Unaudited; all amounts, except per share amounts, are in millions)

	September 30, 1994	December 31, 1993
	-----	-----
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 501.4	\$ 96.6
Accrued interest	118.3	20.7
Deferred income, current	241.7	50.9
Other accrued expenses	1,980.3	261.3
Income taxes	533.0	140.5
Participants share, residuals and royalties payable	655.8	139.1
Program rights, current	220.8	198.0
Current portion of long-term debt	21.7	58.5
	-----	-----
Total current liabilities	4,273.0	965.6
	-----	-----
Long-term debt	10,199.9	2,440.0
Program rights, non-current	133.6	86.9
Other liabilities	1,204.9	206.3
Minority interest in consolidated subsidiaries	129.7	--
Commitments and contingencies (See Note 6)		
Shareholders' Equity of Viacom Inc.:		
Preferred Stock, par value \$.01 per share; 100.0 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; 100.0 shares authorized; 74.3 (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; 282.2 (1994) and 67.3 (1993) shares issued and outstanding	2.8	0.7
Additional paid-in capital	10,725.2	920.9
Retained earnings (accumulated deficit)	75.8	(4.0)
Cumulative translation adjustment	10.0	--
	-----	-----
	12,014.5	2,718.1
	-----	-----
	\$27,955.6	\$6,416.9
	-----	-----

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; all amounts are in millions)

	Nine months ended September 30,	
	----- 1994	1993 -----
Net cash flow from operating activities:		
Net earnings	\$ 139.8	\$ 144.6
Adjustments to reconcile net earnings to net cash flow from operating activities:		
Merger-related charges	332.1	--
Depreciation and amortization	277.8	112.0
Gain on the sale of Lifetime, net of tax	(164.4)	--
Gain on the sale of the cable system, net of tax	--	(45.9)
Gain on sale of investment held at cost	--	(17.4)
Minority interest	(18.0)	--
Extraordinary loss, net of tax	20.4	8.9
Increase in receivables	(305.8)	(33.0)
Increase (decrease) in accounts payable and accrued expenses	.7	(87.3)
Increase in inventory and related liabilities, net	(222.0)	(138.5)
Increase (decrease) in income taxes payable and deferred income taxes, net	(182.9)	69.5
Increase in pre-publication costs, net	(21.4)	--
Decrease in prepaid expenses	72.4	--
(Increase) decrease in unbilled receivables	13.8	(17.5)
Other, net	80.6	(16.6)
	-----	-----
Net cash flow from operating activities	23.1	(21.2)
	-----	-----
Investing Activities:		
Capital expenditures	(191.9)	(84.6)
Investments in and advances to affiliated companies	(38.4)	(16.6)
Advances from affiliated companies	23.9	2.3
Proceeds from sale of the Wisconsin cable system	--	73.7
Proceeds from the sale of Lifetime	317.6	18.1
Proceeds from the sale of short-term investments	128.4	--
Payments for purchase of short-term investments	(81.1)	--
Proceeds from sale of transponders	--	51.0
Transponder deposits	(1.1)	(46.7)
Acquisitions, net of cash acquired	(6,309.9)	(82.0)
Other, net	(11.4)	(8.5)
	-----	-----
Net cash flow from investing activities	(6,163.9)	(93.3)
	-----	-----
Financing Activities:		
Short-term borrowings (repayments) from banks, net	3,625.0	433.0
Borrowings (repayment) of Debt	(13.9)	--
Redemption of notes	--	(298.0)
Premium on redemption of notes	--	(10.0)
Proceeds from issuance of Class B Common Stock	1,250.0	--
Payment of Preferred Stock dividends	(57.7)	--
Deferred financing fees	(87.1)	--
Other, net	(4.2)	5.0
	-----	-----
Net cash flow from financing activities	4,712.1	130.0
	-----	-----
Net (decrease) increase in cash and cash equivalents	(1,428.7)	15.5
Cash and cash equivalents at beginning of the period	1,882.4	48.4
	-----	-----
Cash and cash equivalents at end of period	\$ 453.7	\$ 63.9
	-----	-----

See notes to consolidated financial statements

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) BASIS OF PRESENTATION

Viacom Inc. is a diversified entertainment company with operations in five principal segments; (i) Networks, (ii) Entertainment, (iii) Cable Television and Broadcasting, (iv) Publishing and (v) Home Video Rental and Music Sales. Paramount Communications Inc. ("Paramount") results of operations are included in Viacom Inc.'s consolidated results of operations since March 1994 (See Note 2). The balance sheet of Blockbuster Entertainment Corporation ("Blockbuster") has been included in Viacom Inc.'s consolidated balance sheet as of September 30, 1994 (see Note 2).

The accompanying unaudited consolidated financial statements of Viacom Inc. have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in Viacom Inc.'s most recent annual report on Form 10-K.

The financial statements reflect, in the opinion of management, all normal recurring adjustments necessary to present fairly the financial position and results of operations of Viacom Inc. Certain previously reported amounts have been reclassified to conform with the current presentation.

Net earnings (loss) per common share - Primary net earnings per common share is calculated based on the weighted average number of common shares outstanding during each period, the effects of common shares potentially issuable in connection with the contingent value rights ("CVR"), variable common rights ("VCR"), stock options and warrants. In 1993, 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. Fully diluted earnings per common share also reflects the effect of the assumed conversion of Preferred Stock for the third quarter 1993. For the nine months ended September 30, 1994, the effect of the assumed conversion of Preferred Stock is antidilutive and, therefore, the effect is not reflected in fully diluted net earnings per common share.

2) PARAMOUNT MERGER, BLOCKBUSTER MERGER AND RELATED TRANSACTIONS

On March 11, 1994, Viacom Inc. acquired a majority of the Paramount common stock outstanding at a price of \$107 per share in cash. On July 7, 1994, Paramount became a wholly owned subsidiary of Viacom Inc. (the "Paramount Merger") at the effective time of a merger between Paramount and a subsidiary of Viacom Inc. Each share of Paramount common stock outstanding at the time of the Paramount Merger (other than shares held in the treasury of Paramount or owned by Viacom Inc. 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% Debentures") of Viacom Inc., (iii) 0.93065 of a CVR, (iv) 0.5 of a warrant to purchase one share of Class B Common Stock at any time

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Class B Common Stock at any time prior to the fifth anniversary of the Paramount Merger at a price of \$70 per share.

On September 29, 1994, Blockbuster was merged with and into Viacom Inc. (the "Blockbuster Merger"). Each share of Blockbuster Common Stock outstanding at the time of the Blockbuster Merger (other than shares held in the treasury of Blockbuster or owned by Viacom Inc. and other than shares held by any stockholders who demanded and perfected appraisal rights if available) 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 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 and Blockbuster 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 new assets acquired allocated to goodwill.

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

	Nine months ended	
	September 30,	
	1994	1993
	----	----
	(Millions of dollars)	
Revenues	\$7,380.8	\$6,731.5
Earnings from continuing operations	\$ 777.7	\$ 619.9
Net earnings from continuing operations before extraordinary loss, cumulative effect of change in accounting principle and preferred stock dividends	\$ 112.9	\$ 64.7
Net earnings attributable to common stock before extraordinary loss and cumulative effect of change in accounting principle	\$ 67.9	\$ 19.7
Earnings per common share before extraordinary loss and cumulative effect of change in accounting principle	\$.15	\$.05

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3) PARAMOUNT MERGER-RELATED CHARGES

Earnings (loss) from operations for the nine months ended September 30, 1994 include certain merger-related charges reflecting the integration of Viacom International's pre-merger businesses with similar Paramount units, and related management and strategic changes principally related to the merger with Paramount. The amounts of merger-related charges are \$73.4 million for Networks, \$224.0 million for Entertainment and \$17.3 million for Cable Television and Broadcasting.

Merger-related charges principally relate to adjustments of programming assets based upon new management strategies and additional programming sources resulting from the merger with Paramount. In addition, a merger-related charge of \$17.4 million included in Corporate expenses reflects the combination of the Viacom International and Paramount staffs.

4) INVENTORIES

Inventories are stated as follows:

	September 30, 1994	December 31, 1993
	(Millions of dollars)	
Publishing and other:		
Lower of cost or net realizable value		
Finished goods	\$ 236.2	
Work in process	26.1	
Materials and supplies	29.1	
Theatrical and television productions:		
Released	1,075.4	\$ 166.7
Completed, not released	1.3	--
In process and other	303.7	--
Program rights	1,085.9	979.3
Merchandise	390.0	--
Videocassette rental inventory	179.8	--
	-----	-----
Total inventory	3,327.5	1,146.0
Less current portion	1,664.0	356.5
	-----	-----
Non-current inventory	\$1,663.5	\$ 789.5
	-----	-----

5) BANK FINANCING AND DEBT

Short-term and long-term debt is set forth on a table in Management's Discussion and Analysis of Results of Operations and Financial Condition.

On July 1, 1994, Viacom Inc., entered into an aggregate \$6.489 billion credit agreement (the "Viacom Credit Agreement") and Viacom International Inc.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

("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 the previously existing bank debt of Viacom Inc., Viacom International and Paramount. On September 29, 1994, Viacom Inc., 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.

Each of the Viacom Inc. Credit Agreement and the \$1.8 billion Credit Agreement is guaranteed by Viacom International and Paramount. In addition, the Viacom International Credit Agreement is guaranteed by Viacom Inc. and Paramount. Viacom International's 8.75% Senior Subordinated Notes, 9.125% Senior Subordinated Notes and 10.25% Senior Subordinated Notes, are each guaranteed by Viacom Inc.

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 Viacom Inc. maturing July 1, 2002.

The interest rate on all loans made under each of the credit agreements is based upon Citibank, N.A.'s base rate, the Federal Funds Rate or the London Interbank Offered Rate and is affected by Viacom Inc.'s credit rating.

Viacom Inc. is permitted to issue commercial paper with a maturity at the time of issuance not to exceed nine months, provided that following each issuance of commercial paper, the aggregate amount of the Revolving Loans and Short-Term Loan outstanding under the Viacom Credit Agreement, together with the aggregate face amount of commercial paper outstanding shall not exceed the aggregate amount of the Revolving Loan commitment and the Short-Term Loan commitment at such time.

Viacom Inc. is required to repay the outstanding principal amount of the Short-Term Loan in full on December 31, 1996. Viacom Inc. is required to repay the principal outstanding under the Term Loan and the Viacom International Credit Agreement in quarterly payments of 3% for the period commencing July 1, 1997 through October 1, 1997, 4% for the period January 1, 1998 through October 1, 1999, 5% for the period January 1, 2000 through October 1, 2000, and 6% for the period January 1, 2001 through July 1, 2002. The Revolving Loan commitment will be reduced by \$90 million on July 1, 1998, \$360 million on July 1, 1999, \$360 million on July 1, 2000, \$450 million on July 1, 2001 and \$540 million on July 1, 2002. After giving effect to such Revolving Loan commitment reductions, the principal amount outstanding of such Revolving Loans can not exceed the aggregate Revolving Loan commitment. The \$1.8 billion Credit Agreement commitment will be reduced by \$375 million on July 1, 1998, \$575 million on July 1, 1999 and \$283 million on each of July 1, 2000, July 1, 2001 and July 1, 2002.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Viacom Inc. 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. Viacom Inc. 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 Viacom Inc. 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, Viacom Inc. 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 Viacom Inc. maintain certain financial ratios and impose on Viacom Inc. and its subsidiaries certain limitations on substantial asset sales and mergers with any other company in which Viacom Inc. is not the surviving entity, except for the merger of Viacom Inc. into Viacom International Inc. with Viacom International Inc. as the surviving company.

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 Viacom Inc.

Viacom Inc. is required to pay a commitment fee based on the aggregate daily unborrowed portion of the loan commitments. The credit agreements do not require compensating balances.

Extraordinary Losses

The proceeds from the Viacom Credit Agreement were used to refinance the previously existing bank debt of Viacom Inc., Viacom International and Paramount. Viacom Inc. 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 after-tax extraordinary loss from the early extinguishment of such debt of \$8.9 million, net of a tax benefit of \$6.1 million on the transaction. Viacom

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

International borrowed the funds necessary for the redemption under its bank credit agreements existing during the period.

6) COMMITMENTS AND CONTINGENCIES

Those commitments of Viacom Inc. for program license fees which are not reflected in the balance sheet as of September 30, 1994, which 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 pertain to SNI and are payable within the next seven years, as part of normal programming expenditures. These commitments of SNI 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.

7) PROVISION FOR INCOME TAXES

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. (See "Extraordinary Losses" for tax benefit related to extraordinary loss).

The annual effective tax rates of 49% for 1993 and negative 54% for 1994 continue to be affected by amortization of acquisition costs which is not deductible for tax purposes.

Due to the unusual and non-recurring nature of the gain on the sale of Viacom International's one-third partnership interest in Lifetime Television ("Lifetime") and the Wisconsin cable system, the full income tax effect of each transaction is reflected in the second quarter 1994 and first quarter 1993 tax provision, respectively, and is excluded from the estimated annual effective tax rate.

During the first quarter of 1993, Viacom Inc. adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" on a prospective basis and recognized a cumulative benefit from a change in accounting principle of \$10.4 million.

8) 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, Viacom International sold 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, \$20 million of which was received during 1992, plus repayment of debt in the amount of \$49 million, resulting in a pre-tax gain of approximately \$55 million reflected in "Other items, net." Also reflected in this line item is a net gain on the sale of a portion of an investment held

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

at cost and adjustment to previously established non-operating litigation reserves.

9) DISCONTINUED OPERATIONS

During the third quarter of 1994, Viacom Inc. entered into a definitive agreement pursuant to which Viacom Inc. agreed to sell the 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 between ITT Corporation and Cablevision Systems Corporation for approximately \$1.075 billion. The closing of the transaction is subject to certain conditions, including expiration of the Hart-Scott-Rodino waiting period. Viacom Inc. acquired MSG during March 1994 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. The sale of MSG will result in no after-tax book gain. Summarized results of operations and financial position data of MSG are as follows (in millions):

	Three Months Ended September 30, ----- 1994 ----	Nine Months Ended September 30, ----- 1994 ----
Results of operations:		
Revenues	\$36.3	\$192.8
Loss from operations	(13.0)	(8.3)
Benefit for income taxes	5.2	3.3
Net Loss	(7.8)	(5.0)

	September 30, 1994 -----
Financial position:	
Current assets	\$ 103.1
Net property, plant and equipment	313.9
Other assets	464.1
Total liabilities	(126.7)

Net assets of MSG	\$ 754.4
	----- -----

10) SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended September 30, -----	
	1994	1993
	----	----
	(Millions of dollars)	
Cash payments for interest, net of amounts capitalized	\$226.9	\$139.1
Cash payments for income taxes	44.4	30.5
Non cash financing and investing activities:		
Paramount Merger Consideration	2,930.3	--
Blockbuster Merger Consideration	7,622.8	--
Equipment under capitalized leases	26.5	44.4

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Item 2. Management's Discussion and Analysis of Results of
Operations and Financial Condition.

Management's discussion and analysis of the combined results of operations and financial condition should be read in conjunction with the Consolidated Financial Statements and related Notes.

On March 11, 1994, Viacom Inc. acquired a majority of the Paramount common stock outstanding, at a price of \$107 per share in cash. On July 7, 1994, Paramount became a wholly owned subsidiary of Viacom Inc. (the "Paramount Merger") at the effective time of a merger between Paramount and a subsidiary of Viacom Inc. (See Note 2 of Notes to Consolidated Financial Statements.)

On September 29, 1994, Blockbuster was merged with and into Viacom Inc. Blockbuster's balance sheet has been included in Viacom Inc.'s consolidated balance sheet as of September 30, 1994.

The following tables set forth revenues, depreciation and amortization, earnings (loss) from operations, equity in pre-tax earnings of affiliated companies and earnings from operations plus equity in pre-tax earnings by business segment for the periods indicated.

The Viacom Inc. consolidated statement of operations reflect four operating segments during the periods presented:

Networks - Basic cable and premium television networks.

Entertainment - Theatrical Feature Films, Television Programming, Interactive Media and Technology, Theater Operations and Amusement Parks.

Cable Television and Broadcasting - Cable Systems , Television and Radio Stations.

Publishing - Consumer Group, Educational Group and Business, Technical and Professional Group

Management's Discussion and Analysis of
Results of Operations and Financial Condition

	Revenues	Depreciation & amortization	Earnings from operations (as reported)	Equity in pre-tax earnings of affiliated companies	Earnings from Operations plus equity earnings
	-----	-----	-----	-----	-----
	(Millions of dollars)				
Three months ended September 30, 1994					

Networks	\$373.1	\$13.6	\$97.7	\$10.2	\$107.9
Entertainment	864.6	42.1	139.2	3.5	142.7
Cable & Broadcasting	206.0	30.4	45.5	--	45.5
Publishing	700.8	29.3	175.3	--	175.3
Corporate	--	1.5	(34.9)	--	(34.9)
Intercompany	(13.5)	--	--	--	--
Totals	\$2,131.0	\$116.9	\$422.8	\$13.7	\$436.5
	-----	-----	-----	-----	-----
Three months ended September 30, 1993					

Networks	\$318.3	\$11.8	\$82.7	\$(4.3)	\$78.4
Entertainment	47.0	2.9	3.4	--	3.4
Cable & Broadcasting	148.7	24.3	36.5	--	36.5
Publishing	--	--	--	--	--
Corporate	--	.9	(12.4)	--	(12.4)
Intercompany	(5.9)	--	--	--	--
Totals	\$508.1	\$39.9	\$110.2	\$(4.3)	\$105.9
	-----	-----	-----	-----	-----
Nine months ended September 30, 1994					

Networks	\$1,029.7	\$38.7	\$168.2	\$15.4	\$183.6
Entertainment	1,694.6	85.2	(71.5)	4.8	(66.7)
Cable & Broadcasting	589.0	86.7	118.1	--	118.1
Publishing	1,300.0	62.8	191.3	--	191.3
Corporate	--	4.4	(104.2)	--	(104.2)
Intercompany	(27.5)	--	--	--	--
Totals	\$4,585.8	\$277.8	\$301.9	\$ 20.2	\$322.1
	-----	-----	-----	-----	-----
Nine months ended September 30, 1993					

Networks	\$892.8	\$32.2	\$204.3	\$(3.4)	\$200.9
Entertainment	152.2	6.4	28.8	(1.0)	27.8
Cable & Broadcasting	447.0	70.6	118.9	--	118.9
Publishing	--	--	--	--	--
Corporate	--	2.8	(45.1)	--	(45.1)
Intercompany	(17.4)	--	--	--	--
Totals	\$1,474.6	\$112.0	\$306.9	\$ (4.4)	\$302.5
	-----	-----	-----	-----	-----

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Revenues increased 319%, or \$1,622.9 million, to \$2,131.0 million, and 211%, or \$3,111.2 million to \$4,585.8 million for the third quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods. Earnings from operations increased 284%, or \$312.6 million, to \$422.8 million, and decreased 2% or \$5.0 million, to \$301.9 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods. The foregoing changes in results of operations are principally attributable to the acquisition of Paramount and the merger related charges described below.

Earnings from operations for the nine months ended September 30, 1994 include certain merger-related charges, reflecting the integration of Viacom International's pre-merger businesses with similar Paramount units, and related management and strategic changes principally related to the merger with Paramount. The amounts of merger-related charges are \$73.4 million for Networks, \$224.0 million for Entertainment and \$17.3 million for Cable Television and Broadcasting. These merger-related charges principally relate to adjustments of programming assets based upon new management strategies and additional programming sources resulting from the merger with Paramount. In addition, a merger-related charge of \$17.4 million included in Corporate expenses reflects the combination of the Viacom International and Paramount staffs.

The following discussion of revenues and earnings from operations, is exclusive of these merger-related charges, for each operating segment and includes results of operations of Paramount effective March 1, 1994.

Networks

MTV Networks

MTV Networks ("MTVN") revenues increased 17%, to \$217.5 million from \$185.4 million, and 22%, to \$589.4 million from \$482.9 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods. The increased revenues are principally due to (1) an aggregate increase of \$26.5 million and \$78.4 million for the quarter and nine month periods, respectively, in advertising sales at each of the services and (2) an aggregate increase of \$10.8 million and \$24.5 million for the quarter and nine month periods, respectively, in affiliate fees at each of the services. The increase in advertising sales and affiliate fees are principally due to rate increases.

MTVN's earnings from operations increased 15%, to \$87.0 million from \$75.9 million, and 18%, to \$210.6 million from \$178.7 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods. The current periods reflect the increased revenues, partially offset by increased costs of operating the networks, including losses from MTV Latino, Nickelodeon Magazine, VH-1 U.K. and MTV Asia aggregating \$5.0 million for the nine month period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Showtime Networks Inc.

Revenues of Showtime Networks Inc. ("SNI") increased 17%, to \$155.6 million from \$132.9 million, and 7%, to \$440.3 million from \$409.9 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods. The net revenue increases are due to 1) additional royalty income of \$14.8 million resulting from the settlement of an audit; 2) for the quarter, subscription revenues from cable sales of Showtime and The Movie Channel, increased \$4.2 million principally due to a 4% increase in the subscriber base, but for the nine months decreased \$1.4 million due to a 5% decrease in average rates partially offset by a 5% increase in the subscriber base; and 3) subscription revenues of the back-yard dish business increased \$3.7 million and \$13.7 million, for the quarter and nine month periods, respectively, primarily due to increases of 18% and 28% in the back-yard dish subscriber base, which was principally attributable to the use of upgraded scrambling technology, and a 2% and 1% increase in average rates, for the quarter and nine month periods, respectively. SNI's premium movie services, Showtime, The Movie Channel and FLIX, served approximately 12.8 million subscribers as of September 30, 1994 and approximately 11.6 million subscribers as of September 30, 1993.

SNI's earnings from operations increased 56%, to \$10.7 million from \$6.8 million, and 21%, to \$31.0 million from \$25.7 million for the quarter and nine months ended September 30, 1994, as compared with the same prior-year periods, reflecting the increased revenues partially offset by increased costs.

Entertainment

Theatrical Feature Films

Theatrical feature films revenues were \$431.3 million and \$786.7 million for the three months and nine months ended September 30, 1994. The revenues reflect strong performances in Theatrical and Home Video operations. Theatrical revenues reflect the domestic success of Forrest Gump, Clear and Present Danger and Naked Gun 33 1/3 during 1994. Home video operations reflect contributions by Naked Gun 33 1/3, Intersection and Addams Family Values.

Features earnings from operations were \$86.1 million and \$78.8 million for the three months and nine months ended September 30, 1994.

Television Programming

Television programming revenues were \$181.5 million and \$458.0 million for the three months and nine months ended September 30, 1994 versus \$44.6 million and \$144.7 million for the three months and nine months ended September 1993. Syndication revenues of Paramount and Viacom were lower in 1994 principally due to strong prior year performance of Wings, Dear John, Cheers and Matlock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Television programming earnings from operations were \$18.7 million and \$45.8 million for the three months and nine months ended September 30, 1994 versus \$5.8 million and \$32.0 million for the three months and nine months ended September 30, 1993.

Amusement Parks

Revenues for Parks were \$187.3 million and \$323.6 million for the three months and nine months ended September 30, 1994, reflecting for the current quarter, fewer operating days and lower attendance at the Parks which was partially offset by increased per capita income.

Earnings from operations were \$30.3 million and \$39.2 million for the three months and nine months ended September 30, 1994, primarily reflecting the revenue variances and generally increased operating expenses.

Cable Television and Broadcasting

Cable

Cable Television revenues decreased 3%, to \$100.4 million from \$103.7 million, and 4% to \$304.6 million from \$315.7 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods. The decrease in revenues is primarily attributable to decreases in the basic revenue of \$5.8 million and \$17.7 million in the quarter and nine month periods. The quarter results reflect an 11% decrease in average rates for basic services, partially offset by a 4% increase in basic customers, and the nine month results reflect a 10% decrease in average rates for basic services, partially offset by a 3% increase in basic customers. Total revenue per basic customer per month decreased 7% to \$29.90 from \$31.96, and 6% to \$30.44 from \$32.50 for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods. The revenue variances reflect the effect of the 1992 Cable Act rate regulations, released by the FCC, which became effective on September 1, 1993, and additional rate regulations, released in March 1994 which became effective May 15, 1994.

Earnings from operations decreased 33%, to \$17.2 million from \$25.9 million, and 33%, to \$59.8 million from \$89.4 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods, reflecting the decreased revenues and increased operating, general and administrative expenses.

Viacom Cable served approximately 1,127,000 basic customers subscribing to approximately 900,000 premium units as of September 30, 1994. Basic customers and premium units increased 4% and 20%, respectively, since September 30, 1993. Viacom Cable added 9,400 incremental basic customers in third quarter of 1994, approximately 216% over the amount added in the third quarter of 1993.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Television Stations

Viacom television stations revenues increased 15%, to \$24.0 million from \$20.8 million, and 10%, to \$71.6 million from \$64.9 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods, reflecting increased local and national advertising revenues for the Viacom stations.

Earnings from operations increased 33% to \$5.4 million from \$4.1 million, and increased 33% to \$17.6 million from \$13.2 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods.

Paramount television stations revenues were \$55.3 million for the third quarter. Earnings from operations were \$13.7 million. Results of operations were positively influenced by the acquisition of WKBD-TV in Detroit, which occurred in September 1993.

Radio Stations

Radio revenues increased 9%, to \$26.3 million from \$24.2 million, and 11%, to \$73.8 million from \$66.4 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods, primarily reflecting increased local advertising revenues.

Earnings from operations increased 43%, to \$10.6 million from \$7.4 million, and 32%, to \$25.2 million from \$19.1 million, reflecting the increased revenues, partially offset by increased selling and general and administrative expenses.

Publishing

Publishing revenues were \$700.8 million and \$1,300.0 million for the three months and nine months ended September 30, 1994, respectively. The revenues for the periods reflect the acquisition of Macmillan, which occurred in February 1994.

Earnings from operations were \$175.3 million and \$191.3 million for the three months and nine months ended September 30, 1994, respectively.

OTHER INCOME AND EXPENSE INFORMATION

Interest Expense, Net

Net interest expense of \$162.5 million compared to \$36.6 million, and \$312.5 million compared to \$117.3 million for the quarter and nine months ended September 30, 1994, respectively, compared with the same prior-year periods reflect increased bank borrowings, the issuance of the 8% Exchangeable Subordinated Debentures and interest on Paramount debt (see "Capital Structure").

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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.

For the nine months ended September 30, 1993, "Other items, net," reflects the pre-tax gain of approximately \$55 million on the sale of the stock of the Wisconsin cable system, an adjustment to previously established non-operating litigation reserves and the net gain on the sale of a portion of an investment held at cost.

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 49% for 1993 and negative 54% for 1994 continue to be affected by amortization of acquisition costs which are not deductible for tax purposes.

Due to the unusual and non-recurring nature of the gain on the sale of the one-third partnership interest in Lifetime and the Wisconsin cable system, the full income tax effect of each these transactions is reflected in the second quarter 1994 and first quarter 1993 tax provision, respectively, and is excluded from the estimated annual effective tax rate.

During the first quarter of 1993, Viacom International adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," on a prospective basis and recognized a cumulative benefit from a change in accounting principle of \$10.4 million.

Equity In Earnings of Affiliates

"Equity in earnings of affiliated companies, net of tax" was \$8.6 million for the quarter ended September 30, 1994 compared to a loss of \$2.8, and \$12.3 million for the nine months ended September 30, 1994 compared to a loss of \$2.9 million for the same prior-year periods, primarily reflecting the inclusion of Paramount's earnings of affiliated companies for the seven months ended September 30, 1994, and improved operating results at Comedy Central.

Extraordinary Items

Viacom Inc. recognized an extraordinary loss from the extinguishment of debt of \$20.4 million, net of a tax benefit of \$11.9 million (see "Capital Structure").

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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 from the early extinguishment of such debt of \$8.9 million, net of a tax benefit of \$6.1 million on the transaction. Viacom International borrowed the funds necessary for the redemption under its bank credit agreements existing during the period.

Effective January 1, 1994, Viacom Inc. adopted Statement of Financial Accounting Standards No. 112, "Employers Accounting for Postemployment Benefits," which did not have a material effect on its financial position or results of operations.

Liquidity and Capital Resources

Acquisitions

On March 11, 1994, Viacom Inc. acquired a majority of the Paramount common stock outstanding, at a price of \$107 per share in cash. On July 7, 1994, Paramount became a wholly owned subsidiary of Viacom Inc. (the "Paramount Merger") at the effective time of a merger between Paramount and a subsidiary of Viacom Inc. (See Note 2 of Notes to Consolidated Financial Statements.)

On September 29, 1994, Blockbuster was merged with and into Viacom Inc. (the "Blockbuster Merger"). The Viacom Inc. consolidated balance sheet includes the Blockbuster's balance sheet as of September 30, 1994. Blockbuster's results of operations will be consolidated as of October 1, 1994 (see Note 2 of Notes to Consolidated Financial Statements). Blockbuster revenues were \$766.0 million and \$2,138.8 million for the three months and nine months ended September 30, 1994, respectively. Earnings from operations were \$121.7 million and \$360.2 million for the three months and nine months ended September 30, 1994, respectively.

Viacom Inc. expects to fund its anticipated operating, investing and financing cash requirements, with internally generated funds and with various external sources of funds, including additional financings and the sale of non-strategic assets as such opportunities may arise, such as the expected sale of the operations of Madison Square Garden.

Viacom Inc.'s scheduled maturities of long-term debt under the Credit Agreement and \$1.8 billion Credit Agreement through December 31, 1998 assuming full utilization are \$2.5 billion (1996) and \$150 million (1997) and \$865 million (1998).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Viacom Inc. and Viacom International were each in compliance with all covenants and had satisfied all financial ratios and tests as of September 30, 1994 under their credit agreements. Viacom Inc. and Viacom International expect to remain in compliance with such covenant ratios as may be applicable from time to time during 1994.

Debt, including the current portion, as a percentage of total capitalization of Viacom Inc. was 46% at September 30, 1994 and 48% at December 31, 1993.

The indebtedness under Viacom Inc.'s and Viacom International's Credit agreements bears interest at floating rates, causing Viacom International and Viacom Inc. to be sensitive to changes in prevailing interest rates. As of September 30, 1994, Viacom Inc. and its subsidiaries had obtained interest rate protection agreements with respect to approximately \$4.3 billion of indebtedness. The majority of the interest rate protection agreements will mature over the next four years.

Commitments of Viacom Inc. for program license fees which are not reflected in the balance sheet as of September 30, 1994, are estimated to aggregate approximately \$2.0 billion (See Note 6).

Net cash flow from operating activities was \$23.1 million for the nine months ended September 30, 1994 versus negative \$21.2 million for the nine months ended September 30, 1993 due to increased earnings from operations of Viacom International prior to merger-related charges and Paramount's results of operations for the seven months ended September 30, 1994. Net cash expenditures for investing activities of \$6.2 billion for the nine months ended September 30, 1994, principally reflects the acquisition of the majority of the shares outstanding of Paramount and capital expenditures, partially offset by proceeds from the sale of the one-third partnership interest in Lifetime. Net cash expenditures for investing activities of \$93.3 million for the nine months ended September 30, 1993, principally reflects the acquisition of ICOM Simulations, Inc. and KXEZ-FM, capital expenditures, the additional investment in Star Sight Telecast, Inc. and advances to Comedy Central partially offset by proceeds from the sale of the Wisconsin cable system and an investment held at cost. Financing activities principally reflect borrowings and repayments of debt under the credit agreements during each period presented, and in 1994, the borrowings under the Merger Credit Agreement (as defined in "Capital Structure") and the sale of Class B Common Stock to Blockbuster.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Capital Structure

The following table sets forth the capitalization of Viacom Inc. and subsidiaries as of September 30, 1994 and December 31, 1993:

	September 30, 1994	December 31, 1993
	-----	-----
	(Millions of dollars)	
Current portion of long-term debt	\$ 21.7	\$ 58.5
Long-term debt:		
Viacom Inc.:		
Notes payable to banks (a)	\$7,462.3	\$ 28.2
8.0% Exchangeable Subordinated Debentures due 2006 (b)	689.7	--
6.625% Senior Notes due 1998	150.0	--
Other	59.6	--
Viacom International:		
Notes payable to banks	311.0	1,900.0
9.125% Senior Subordinated Notes due 1999	150.0	150.0
8.75% Senior Subordinated Reset Notes due 2001	100.0	100.0
10.25% Senior Subordinated Notes due 2001	200.0	200.0
Obligations under capital leases	81.8	61.8
Paramount (c):		
5.875% Senior Notes due 2000	149.4	--
7.5% Senior Notes due 2002	246.9	--
8.25% Senior Notes due 2022	246.9	--
7.5% Senior Notes due 2023	149.5	--
7% Subordinated Debentures due 2002	182.3	--
Other notes due 1994 to 1996	13.7	--
Obligations under capital leases	6.8	--
Total long-term debt	----- \$10,199.9 -----	----- \$2,440.0 -----
Shareholders' equity of Viacom Inc.:		
Preferred Stock (d)	\$1,200.0	\$1,800.0
Common stock and additional paid-in capital	10,728.7	922.1
Retained earnings (accumulated deficit)	75.8	(4.0)
Cumulative translation adjustment	10.0	--
Total shareholders' equity	----- \$12,014.5 -----	----- \$ 2,718.1 -----

a) On July 1, 1994, Viacom Inc., entered into an aggregate \$6.489 billion credit agreement (the "Viacom Credit Agreement") and 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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

with certain banks, the proceeds of which were used to refinance the previously existing bank debt of Viacom Inc., Viacom International and Paramount. On September 29, 1994, Viacom Inc., 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. See Note 4 to Notes to Consolidated Financial Statements for a summary description of the credit agreements.

Each of the Viacom Inc. Credit Agreement and the \$1.8 billion Credit Agreement is guaranteed by Viacom International and Paramount. In addition, the Viacom International Credit Agreement is guaranteed by Viacom Inc. and Paramount. Viacom International's 8.75% Senior Subordinated Notes, 9.125% Senior Subordinated Notes and 10.25% Senior Subordinated Notes, are each guaranteed by Viacom Inc.

b) The 8% Debentures are presented net of an unamortized discount of \$372.6 million.

c) The Paramount notes and debentures are presented net of an aggregate unamortized discount of \$56.5 million

d) The Preferred Stock purchased by Blockbuster was canceled upon the consummation of the Blockbuster Merger.

As of September 30, 1994, NAI owned approximately 61% of the outstanding shares of Viacom Class A Common Stock and 26% of the outstanding Class A and Class B Common Stock on a combined basis.

PART II -- OTHER INFORMATION

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

A Special Meeting of Stockholders of Viacom Inc. ("Viacom") was held on September 29, 1994. The approval of the Agreement and Plan of Merger (the "Merger Agreement") dated as of January 7, 1994, as amended as of June 15, 1994, between Viacom and Blockbuster Entertainment Corporation, was voted upon at the meeting.

The votes cast for, against or abstaining from the approval of the Merger Agreement were as follows:

Votes For:	Votes Against:	Abstentions:
50,726,022	401,209	21,711

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

10.1 Employment Agreement, dated as of August 1, 1994, between Viacom Inc. and Frank J. Biondi, Jr. (filed herewith) 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. (filed herewith).

27.1 Financial Data Schedule.

(b) Reports on Form 8-K for Viacom Inc.

Current Report on Form 8-K, dated July 7, 1994, relating to the merger of Viacom Sub Inc., a wholly owned subsidiary of Viacom Inc. ("Viacom Sub"), with and into Paramount Communications Inc. ("Paramount"), pursuant to the Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994, as further amended as of May 26, 1994, among Viacom Inc., Viacom Sub and Paramount.

Current Report on Form 8-K, dated July 22, 1994, relating to the aggregate \$6.489 billion credit agreement, entered into by Viacom Inc. on July 1, 1994 and the respective guarantees of Paramount Communications Inc. ("Paramount") and Viacom International Inc. ("Viacom International") thereto; and to the \$311 million credit agreement entered into by Viacom International and certain of its subsidiaries on July 1, 1994 and the respective guarantees of Paramount and Viacom Inc. thereto.

Current Report on Form 8-K, dated September 1, 1994, relating to the Agreement and Plan of Merger entered into among Viacom Inc., Paramount Communications Realty Corporation, ITT, Rainbow Garden Corporation and MSG Holdings, L.P.; and to the agreement to sell the assets of television station WTXF in Philadelphia, Pennsylvania to Fox Television Stations, Inc.

Current Report on Form 8-K, dated September 21, 1994, relating to the settlement, subject to court approval, of all pending Blockbuster Entertainment Corporation ("Blockbuster") shareholder litigation relating to the merger of Blockbuster with and into Viacom Inc. ("Viacom"); and to the employment agreements, dated September 20, 1994, among Viacom and approximately 40 members of the management team of Blockbuster.

Current Report on Form 8-K, dated September 29, 1994, relating to the merger of Blockbuster Entertainment Corporation ("Blockbuster") with and into Viacom Inc. ("Viacom"), pursuant to the Agreement and Plan of Merger (the "Merger Agreement") dated as of January 7, 1994, as amended as of June 15, 1994, between Viacom and Blockbuster; and to a \$1.8 billion credit agreement entered into by Viacom with the banks signatory 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VIACOM INC.

(Registrant)

Date November 21, 1994

/s/Frank J. Biondi, Jr. .

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

Date November 21, 1994

/s/George S. Smith, Jr.

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

EXHIBIT INDEX

Exhibit -----	Description -----
10.1	Employment Agreement, dated as of August 1, 1994, between Viacom Inc. and Frank J. Biondi, Jr. 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.
27.1	Financial Data Schedule.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of August 1, 1994 (the "Effective Date"), by and between Viacom Inc., a Delaware corporation (herein referred to as the "Company"), and Frank J. Biondi, Jr. (herein referred to as the "Executive").

W I T N E S S E T H:

WHEREAS, the Executive currently serves as President and Chief Executive Officer of the Company, of Viacom International Inc., a Delaware corporation ("Viacom") and of Paramount Communications Inc., a Delaware corporation ("Paramount"), pursuant to the terms of an employment agreement, dated as of August 1, 1987, between Viacom and the Executive (the "Original Employment Agreement"); and

WHEREAS, the Company and the Executive both desire to enter into this Agreement, which will supersede in its entirety the Original Employment Agreement and will set forth the terms and conditions under which the Executive will continue to serve as President and Chief Executive Officer of the Company;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto hereby agree as follows:

- 1. Employment; Position and Duties; Exclusive Services.

- (a) Employment. The Company agrees to employ the

Executive, and the Executive agrees to be employed by the

Company, for the Term provided in Section 2 below and upon the other terms and conditions hereinafter provided.

(b) Position and Duties. During the Term, the

Executive (i) agrees to serve as the President and Chief Executive Officer of the Company and to perform such reasonable duties as may be delineated in the By-Laws of the Company and as may be assigned to him from time to time by the Board of Directors of the Company (the "Board"), (ii) shall also serve as -----
the President and Chief Executive Officer of Viacom and of Paramount, (iii) shall report, as President and Chief Executive Officer of the Company, only to the Board or to the Chairman of the Board and, as President and Chief Executive Officer of Viacom and of Paramount, only to the respective Boards of Directors of Viacom and Paramount or to the Chairmen of such Boards of Directors, (iv) shall serve as a member of the Board and the Boards of Directors of Viacom and Paramount, (v) shall be given such authority as is appropriate to carry out the duties described above, it being understood that, in his capacities as President and Chief Executive Officer of the Company, Viacom and Paramount his duties will be consistent in scope, prestige and authority with the duties of President and Chief Executive Officer of the Company, Viacom and Paramount as demonstrated by the Company's, Viacom's and Paramount's' existing practices as of the effective date of this Agreement, and (vi) agrees to serve, if elected, at no additional compensation (if the other officers or directors (other than non-employee directors) of the Company

also serve at no additional compensation) in the position of officer or director of any subsidiary or affiliate of the Company; provided, however, that such position shall be of no -----

less status relative to such subsidiary or affiliate as the position that the Executive holds pursuant to clause (i) of this Section 1(b) is relative to the Company, Viacom and Paramount.

(c) Exclusive Services. During the Term, and except -----

for illness or incapacity, the Executive shall devote all of his business time, attention, skill and efforts exclusively to the business and affairs of the Company and its subsidiaries and affiliates, shall not be engaged in any other business activity, and shall perform and discharge well and faithfully the duties which may be assigned to him from time to time by the Board; provided, however, that nothing in this Agreement shall preclude -----

the Executive from devoting time during reasonable periods required for:

- (i) serving, in accordance with the Company's policies and with the prior approval of the Board, as a director or member of a committee of any company or organization involving no actual or potential conflict of interest with the Company or any of its subsidiaries or affiliates,
- (ii) delivering lectures and fulfilling speaking engagements,
- (iii) engaging in charitable and community activities, and

(iv) investing his personal assets in a Passive Investment (as hereinafter defined) in such form and in such manner as will not violate Section 9 below; and provided, further, that the Executive shall be permitted to -----

fulfill the obligations associated with his pre-existing investment in a condominium at the Gardner Tennis Ranch. For purposes of this Agreement, a "Passive Investment" shall mean an ----- investment in a business or entity which does not require the Executive to render any services in the operations or affairs of such business or entity and which does not materially adversely affect or interfere with the performance of the Executive's duties and obligations to the Company or any of its subsidiaries or affiliates.

(d) Relocation. The Company shall not relocate the ----- Executive's principal place of business outside of New York City without the written consent of the Executive.

2. Term of Agreement. -----

The term of employment under this Agreement shall initially be the six-year period commencing on the Effective Date and ending on July 31, 2000, and shall be automatically extended without further action by either party for a successive or successive one-year period or periods, unless written notice of either party's intention to terminate this Agreement has been given to the other party at least six months prior to the expiration of the Term (including any one-year extension

thereof). As used in this Agreement, (i) the "Initial Term"

shall mean the period commencing on the Effective Date and ending
on July 31, 2000, (ii) the "Term" shall mean the Initial Term

plus any extensions thereof as provided in this Section 2, and
(iii) a "Contract Year" shall mean the twelve-month period during

the Term beginning on each August 1 and ending on the following
July 31.

3. Salary and Annual Bonus.

The Executive's cash compensation for all services to
be rendered by him in any capacity hereunder shall consist of
base salary as provided in Section 3(a), bonus compensation as
provided in Section 3(b) and deferred compensation as provided in
Section 4.

(a) Salary. The Executive shall be paid base salary

(the "Salary") at the rate of \$990,000 per annum. The Salary

shall be payable in accordance with the customary payroll
practices for executives of the Company.

(b) Annual Bonus.

(i) General Terms. For each calendar year included in

whole or in part within the Term, the Executive shall be eligible
to earn an annual cash bonus (a "Bonus") based upon the

achievement by the Company and its subsidiaries of performance
targets established by the Compensation Committee of the Board
(the "Compensation Committee") in accordance with the Company's

Senior Executive Short-Term Incentive Plan and any successor plan

thereto (collectively, the "STIP"). The performance goals on the

basis of which the Executive's bonus shall be determined shall be no less favorable to the Executive than the goals used to determine the bonus of any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the STIP, and the Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been met. The Bonus, if any, payable to the Executive in respect of each calendar year will be paid at the same time that bonuses are paid to other participants in the STIP.

(ii) Amount of Target Bonus. For each calendar year

included in whole or in part within the Term, there shall be a target Bonus (a "Target Bonus") for the Executive, the amount of

which shall be determined as provided in this Section 3(b)(ii). For calendar year 1994, the Target Bonus will equal 2.25 times \$1,169,000 (i.e., a Target Bonus of \$2,630,250); for each calendar year after 1994, the Target Bonus will equal 110% of the Target Bonus for the preceding year, provided, however, that the

Target Bonus for the calendar year in which the Term ends will be determined by multiplying 110% of the Target Bonus for the preceding calendar year by a fraction the numerator of which shall equal the number of days in such calendar year in which the Term ends up to and including the last day of the Term and the denominator of which shall equal 365.

(iii) Determination of the Bonus Amount. The

amount of the actual Bonus for any calendar year to be paid to the Executive will be based upon the performance of the Company and its subsidiaries against the goals established by the Compensation Committee pursuant to the STIP as follows: (W) if such performance is at a level of 80% or less, no Bonus will be payable; (X) if such performance is at a level of 100%, the Bonus will equal the Target Bonus; (Y) if such performance is at a level of 120% or more, the Bonus will equal two times the Target Bonus; and (Z) if such performance is at a level greater than 80% but less than 120% (but is not equal to 100%), the Bonus will be an amount between zero and two times the Target Bonus, as determined on the basis of criteria which shall be established by the Compensation Committee and shall be no less favorable to the Executive than the criteria used to determine the amount of bonus payable to any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the STIP.

4. Deferred Compensation.

In addition to the Salary provided for in Section 3(a) and his Bonus, if any, provided for in Section 3(b), the Executive shall earn in respect of each Contract Year an additional amount (the "Deferred Compensation") the payment of

which (together with the return thereon as provided in this Section 4) shall be deferred until January of the first calendar year following the year in which the Executive ceases to be an

executive officer of the Company for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The

amount of Deferred Compensation for the Contract Year beginning on the Effective Date and ending on July 31, 1995 shall be \$179,000; for each subsequent Contract Year, the amount of Deferred Compensation shall be the excess of (X) 110% of the aggregate amount of the Salary and Deferred Compensation earned during the immediately preceding Contract Year over (Y) \$990,000 (e.g. the Deferred Compensation for the Contract Year ending on July 31, 1996 shall be $((110\% \times (\$990,000 + \$179,000) - \$990,000) = \$295,900$). Deferred Compensation shall be credited to a bookkeeping account maintained by the Company on behalf of the Executive, the balance of which account shall periodically be credited (or debited) with deemed positive (or negative) return calculated in the same manner, and at the same times, as the deemed return on the Executive's account under the excess 401(k) plan of Viacom (as such plan may be amended from time to time) is determined. The Company's obligation to pay the Deferred Compensation (including the return thereon provided for in this Section 4) shall be an unfunded obligation to be satisfied from the general funds of the Company and shall otherwise be subject to the provisions of Section 10 of this Agreement.

5. Stock Options.

(a) Grant of Stock Options. The Compensation

Committee has granted to the Executive options to purchase 1,000,000 shares of the Company's Class B Common Stock (the "Options"), such Options having the terms and conditions set

forth in the form of Stock Option Agreement attached hereto as Attachment A. The Executive acknowledges that he shall have no contractual entitlement pursuant to this Agreement to any further grants of stock options prior to the end of the Initial Term, it being understood that the Company may, in its sole discretion, grant additional stock options to the Executive during the Initial Term.

(b) Amendment to 1994 Plan. The Options have been

granted to the Executive pursuant to the Company's 1994 Long-Term Management Incentive Plan (the "1994 Plan"). No later than the

first annual meeting of stockholders of the Company to be held after the Effective Date, the Company will amend the 1994 Plan to permit the provisions set forth below, the Company will submit such amendment to the Plan for the approval of the stockholders of the Company at such meeting of stockholders, and the Company will amend the terms of the Option in the manner set forth on Attachment B:

- In the event of termination of the Executive's employment for Cause or voluntary termination other than for Good Reason during the Term, vested Options shall remain exercisable for 15 days; all unvested Options shall lapse on the date of termination.

- In the event of termination of the Executive's employment without Cause or voluntary termination for Good Reason during the Term, the Options (all of which will have vested upon termination of employment) shall remain exercisable for the longer of six months following the date of termination or two years from date of grant.
- In the event of a failure to renew this Agreement upon expiration of the Initial Term or any one-year renewal thereof, the Options shall remain exercisable for six months after the date of termination.
- In the event of termination of the Executive's employment due to death or disability, the Options (all of which will have vested upon termination of employment) shall remain exercisable for two years after such date.

If the Executive's employment is terminated by the Company other than for Cause (as defined below in Section 8) or by reason of death or Permanent Disability (as defined below in Section 8), or if the Executive resigns from his employment for Good Reason (as defined below in Section 8), in either case prior to the annual meeting of stockholders referred to above, the Company will take appropriate action to put the Executive in the same economic position he would have been in if his employment had continued through the date of such meeting and the foregoing such amendments had been approved.

6. Pension and Welfare Benefits.

During the Term, the Executive will participate in all pension and welfare plans, programs and benefits that are applicable to executives of the Company and/or Viacom. The benefits provided to the Executive during the Term, when taken as a whole, shall be no less favorable than the benefits which, when

taken as a whole, are provided to any other executive of the Company, other than the Chairman of the Board. In addition, during the Term, the Executive shall be reimbursed by the Company for 100 percent (on an after-tax basis) of the medical and dental expenses incurred by himself, his wife and his children during the Term that are not covered by such plans, programs or benefits. During the five-year period commencing on the date of any termination or resignation of the Executive's employment hereunder (other than a termination or resignation set forth in Section 8(a) hereof), the Executive shall also be entitled to reimbursement for 100 percent (on an after-tax basis) of the medical and dental expenses (to the extent not received under the plans, programs or benefits provided in this Section 6 or by the plans, programs or benefits otherwise applicable to the Executive by virtue of the employment of the Executive by a subsequent employer or otherwise) incurred by himself, his wife and his children which relate to a medical or dental condition which was identified during the Term prior to such termination or resignation. The Company shall reimburse the expenses described in the previous two sentences as promptly as practicable after receipt from the Executive of such reasonable documentation as the Company may require evidencing such expenses, and the Executive agrees to provide to the Company notice of all amounts received as benefits under any other medical or dental arrangements. During the Term, the Executive shall also be entitled to all additional perquisites which the Company provides

to its executives (other than those perquisites, if any, provided solely to the Chairman of the Board).

7. Other Benefits.

(a) Travel and Business-related Expenses. During the

Term, the Executive shall be reimbursed in accordance with the policies of the Company for traveling and other expenses (including, without limitation, the expense of first class travel and accommodations) incurred in the performance of the business of the Company.

(b) Personal Secretary. The Executive shall be

entitled to employ a person of the Executive's choice as his personal secretary.

(c) Parking. The Company will provide the Executive

with parking facilities to the extent available near the executive offices of the Company.

(d) Term Life Insurance. During the Term the Company

shall maintain and pay the premiums of a term life insurance policy in a face amount of \$5,000,000 on the life of the Executive, the beneficiary of which policy shall be designated by the Executive. The Executive shall have the right to assign such policy to his spouse, his issue or a trust or trusts primarily for the benefit of any of the foregoing.

8. Termination of Employment.

(a) Termination for Cause, Resignation Without Good

Reason.

(i) If the Executive's employment is terminated by the Company for Cause (as defined below in this Section) or if the Executive resigns from his employment without Good Reason (as defined below in this Section), prior to the expiration of the Term, the Executive shall be entitled to receive: (X) the Salary provided for in Section 3(a) and Deferred Compensation provided for in Section 4, in each case as accrued through the date of such resignation or termination; (Y) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (Z) a prorated Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year in which the Executive was in the employ of the Company up to and including the date of such termination or resignation and the denominator of which shall equal 365. The Executive shall not accrue or otherwise be eligible to receive Salary payments or Deferred Compensation or to participate in any plans, programs or benefits described in Section 6 hereof with respect to periods after the date of such termination or resignation, and shall not be eligible to receive any Bonus in respect of any calendar year following the year in which such termination or resignation occurs. Any Bonus in

respect of a year prior to the year in which such termination or resignation occurs, and the prorated Bonus described in this Section 8(a)(i) for the year in which such termination or resignation occurs, shall be payable at such time and in such manner as provided for in Section 3(b) hereof.

The Executive shall have no right under this Agreement or otherwise to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment (except to the extent provided for under the terms of any such plan, arrangement or benefit).

(ii) Termination for "Cause" shall mean termination by

action of the Board because of: (A) a felony conviction of the Executive or the perpetration by the Executive of a serious dishonest act against the Company or any of its affiliates or subsidiaries; or (B) any willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of the Company or any of its affiliates or subsidiaries, provided, however, that no event or circumstance

shall be considered to constitute Cause within the meaning of this clause (B) unless the Executive has been given written notice of the events or circumstances constituting Cause and had failed to effect a cure thereof within 30 calendar days following the giving of such notice.

(iii) Resignation for "Good Reason" shall mean the

resignation of the Executive after (A) the Company, without the

express written consent of the Executive, materially breaches this Agreement; (B) the Executive notifies the Company in writing of the nature of such material breach; and (C) the Company does not correct such material breach within 30 calendar days after its receipt of such notice.

(iv) The date of termination of employment by the Company pursuant to this Section 8(a) shall be the date specified in a written notice of termination from the Company to the Executive, which, in the case of a proposed termination to which the 30-day cure period provided for in subsection (ii) above applies shall be no less than 31 days after the delivery of such notice to the Executive. The date of a resignation by the Executive pursuant to this Section 8(a) shall be the date specified in the written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(b) Termination Without Cause, Resignation for Good

Reason.

(i) If the Executive's employment is terminated by the Company without Cause or if the Executive should resign for Good Reason, prior to the expiration of the Term, he shall be entitled to receive: (X) the Salary provided for in Section 3(a) and Deferred Compensation provided for in Section 4, in each case as accrued through the date of such resignation or termination and continuing for the shorter of three years from the date of such

termination or resignation and the remainder of the then-effective Term (such shorter period being referred to as the "Continuation Period"), with the amount of Deferred Compensation -----

for any year included in whole or in part within the Continuation Period determined in the manner provided for in Section 4 as though the Executive had remained employed; (Y) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (Z) a Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Continuation Period equal to the Target Bonus that would have applied to each such year pursuant to Section 3(b) had the Executive remained employed, provided, however, that -----

the amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Continuation Period shall be prorated and shall equal the Executive's Target Bonus for such year determined in accordance with Section 3(b) multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the last day of the Term.

During the Continuation Period, (X) Salary payments to the Executive shall be payable in accordance with the payroll practices of the Company, (Y) Deferred Compensation attributable

to the Contract Year in which the termination or resignation of the Executive's employment occurs and to prior Contract Years shall be payable prior to January 31 of the calendar year following such termination or resignation, and Deferred Compensation attributable to subsequent Contract Years shall be payable within 30 days after the end of the relevant Contract Year, and (Z) Bonus payments shall be made in respect of each calendar year at the same time that bonuses are paid to participants in the STIP.

The Executive shall also be entitled to continued participation in the medical, dental and insurance plans and arrangements described in Section 6 as follows: (i) with respect to pre-existing conditions identified during the Term as provided in the fourth sentence of said Section 6 hereof, for the five-year period described in such sentence; and (ii) with respect to all other matters, until the earlier to occur of (A) the conclusion of the Continuation Period or (B) such time as the Executive is covered by comparable medical, dental or insurance plans of a subsequent employer. In addition, and notwithstanding any life insurance benefits that may be provided by a subsequent employer, the life insurance policy provided for in Section 7(d) will be maintained during the Continuation Period and the Company will continue to pay the premiums thereon during such Period.

(ii) Except as may be provided under the terms of any applicable grants to the Executive, under any plan or arrangement in which the Executive participates or except as may be otherwise

required by applicable law, including, without limitation, the provisions of Section 4980B(f) of the Internal Revenue Code of 1986, as amended (the "Code"), the Executive shall have no right

under this Agreement or any other agreement to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment. In the event of a termination or resignation pursuant to this Section 8(b): (A) the Executive shall have no duty of mitigation with respect to amounts payable to him pursuant to this Section 8(b) or other benefits to which he is entitled pursuant hereto, and (B) subject to the specific provisions concerning medical, dental and insurance plans set forth in subsection (i) above, no amounts payable to the Executive pursuant to this Section 8(b), or other benefits to which he is entitled pursuant hereto, will be offset or reduced by any compensation, payments or benefits he may receive from a subsequent employer. Notwithstanding anything to the contrary in this Agreement, the right of the Executive to receive payments provided for in this Section 8(b) shall be subject to Section 9 of this Agreement.

(iii) The date of termination of employment by the Company pursuant to this Section 8(b) shall be the date specified in the written notice of termination from the Company to the Executive or, if no date is specified therein, ten business days after receipt by the Executive of the written notice of termination from the Company. The date of a resignation by the

Executive pursuant to this Section 8(b) shall be the date specified in the written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(c) Death. If the Executive's employment hereunder

terminates by reason of death prior to expiration of the Term, the Executive's beneficiary (or if no such beneficiary is designated, his estate) shall be entitled to receive: (X) the Salary provided for in Section 3(a) and Deferred Compensation provided for in Section 4, in each case as accrued through the date of the Executive's death and continuing for the shorter of two years from the date of death and the remainder of the then-effective Term (such shorter period being referred to as the "Post-Death Continuation Period"), with the amount of Deferred

Compensation for any year included in whole or in part within the Post-Death Continuation Period determined in the manner provided for in Section 4 as though the Executive had remained employed; (Y) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's death occurs; and (Z) a Bonus for the calendar year in which the Executive's death occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Post-Death Continuation Period equal to the Target Bonus that would have applied to each such year pursuant to Section 3(b) had the Executive remained employed, provided,

however, that the amount of such Bonus payable in respect of any

partial calendar year at the conclusion of the Post-Death Continuation Period shall be prorated and shall equal the Executive's Target Bonus for such year determined in accordance with Section 3(b) multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the Post-Death Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the last day of the Term. Payment of Salary during the Post-Death Continuation Period shall be made in accordance with the payroll practices of the Company at such time; amounts of Deferred Compensation earned prior to the date of death or attributable to the year in which death occurs shall be paid prior to January 31 of the year following the year in which death occurs, and additional amounts of Deferred Compensation payable during the Post-Death Continuation Period pursuant to this Section 8(c) shall be considered to accrue proportionately over time and shall be paid concurrently with payments of Salary provided for herein; Bonus payments provided for in this Section 8(c) shall be made at such time and in such manner as is provided in Section 3(b). As used in this Section, the term "beneficiary"

 includes both the singular and the plural of such term, as may be appropriate.

In lieu of the payment schedule provided for in the preceding paragraph, the Executive's beneficiary (or if no such

beneficiary is designated, his estate) may elect, by written notice to the Company not more than 90 days following the date of the Executive's death, to receive all amounts provided for in the preceding paragraph that have not theretofore been paid in a single lump sum equal to the present value of all such payments. For purposes of the previous sentence, present value shall be calculated on the basis of the applicable short-term federal interest rate (applicable to loans with monthly compounding) as determined pursuant to Section 1274(d) of the Code for the month in which death occurs.

(d) Permanent Disability. If, as a result of the

Executive's Permanent Disability (as defined below in this Section), the Executive shall have been absent from the full-time performance of his duties for a period of 6 consecutive months, then the Company shall be entitled to terminate his employment. In the event of such termination, the Executive, his conservator or guardian, as the case may be, shall be entitled to receive:

(X) the Salary provided for in Section 3(a) and Deferred Compensation provided for in Section 4, in each case as accrued through the date of the Executive's termination of employment and continuing for the shorter of two years from the date of such termination and the remainder of the then-effective Term (such shorter period being referred to as the "Disability Continuation

Period"), with the amount of Deferred Compensation for any year

included in whole or in part within the Disability Continuation Period determined in the manner provided for in Section 4 as

though the Executive had remained employed;; (Y) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's termination of employment occurs; and (Z) a Bonus for the calendar year in which the Executive's termination of employment occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Disability Continuation Period equal to the Target Bonus that would have applied to each such year pursuant to Section 3(b) had the Executive remained employed, provided, however, that the -----

amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Disability Continuation Period shall be prorated and shall equal the Executive's Target Bonus for such year determined in accordance with Section 3(b) multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the Disability Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the last day of the Term. Payments of Salary during the Disability Continuation Period shall be made in accordance with the payroll practices of the Company at such time; amounts of Deferred Compensation earned prior to the date of termination of employment or attributable to the year in which termination of employment occurs shall be paid prior to January 31 of the year following the year in which termination of employment occurs, and additional amounts of

Deferred Compensation payable during the Disability Continuation Period pursuant to this Section 8(d) shall be considered to accrue proportionately over time and shall be paid concurrently with payments of Salary provided for herein; Bonus payments provided for in this Section 8(d) shall be made at such time and in such manner as is provided in Section 3(b). Notwithstanding anything to the contrary in this Section 8(d), the payments provided for herein during the Disability Continuation Period shall be reduced by the amount of any benefits payable to the Executive or his conservator or guardian, as the case may be, during such period under any disability or other welfare benefits plan or program of the Company or any of its subsidiaries in respect of the Executive's Permanent Disability. For purposes of this Agreement, "Permanent Disability" shall be defined in the -----

same manner as such term or a similar term is defined in the long-term disability policy maintained by the Company for the Executive and in effect on the date of the Executive's termination of employment with the Company, but in no event shall such definition be any less favorable to the Executive than the definition in the long-term disability policy maintained by the Company for the Executive and in effect on the Effective Date.

9. No Competing Employment; Passive Investments; No

Interference; Confidentiality; Remedies.

(a) No Competing Employment. For so long as the

Executive is employed by the Company or any of its affiliates and subsidiaries, and for the lesser of (X) one year following his termination of employment (for any reason) and (Y) the remainder of the Term (such period of employment and such shorter period following termination thereof being referred to hereinafter as the "Restricted Period"), the Executive shall not, unless he

receives after the Effective Date the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged during the Term hereunder or at the time of the termination of the Executive's employment hereunder (such businesses are hereinafter referred to as the "Business"), or

assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business. The restrictions imposed by this paragraph shall not apply to any geographic area in which the Company or its affiliates and subsidiaries are not engaged in the Business at the time of termination.

(b) Restrictions on Passive Investments. Any other

provision in this Agreement to the contrary notwithstanding, during the Restricted Period the Executive shall not make a Passive Investment which results in the Executive beneficially owning, within the meaning of Section 13(d) of the Exchange Act, (i) a greater than five percent interest in any class of securities of any company or business entity which has any class of securities listed on a national securities exchange or quoted on the automated quotation system of the National Association of Securities Dealers, Inc. (a "Public Company") and which does not -----

engage in the media business, (ii) a greater than two percent interest in any class of securities of a Public Company which engages in the media business or (iii) any interest in a company or business entity which is not a Public Company and which engages in the media business, unless, in the case of clauses (i), (ii) and (iii) above, the Executive shall have received the prior written approval for such investment from the Chairman of the Board. Nothing in this Section 9(b) shall be construed as prohibiting the Executive from making any Passive Investment in any company or business entity which is not a Public Company and which does not engage in the media business; provided, however, -----

that nothing contained in this Section 9(b) shall be construed to permit the Executive to undertake any investment which would result in a violation of the provisions of Section 1(c) of this Agreement. For purposes of this Agreement, (i) the phrase "engage(s) in the media business" shall refer not only to the

activities of such Public Company or such other company or business entity, as the case may be, but shall also refer to the activities of any subsidiary, affiliate or joint venture thereof and (ii) the term "business entity" shall include, without limitation, individuals, sole proprietorships, partnerships and corporations.

(c) No Interference. For so long as the Executive is

employed by the Company or any of its affiliates or subsidiaries and for two years following his termination of employment (for any reason), the Executive shall not, directly or indirectly, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any of its affiliates or subsidiaries, hire, employ, engage or otherwise interfere with the relationship of the Company or any of its affiliates or subsidiaries with any Restricted Employee, as hereinafter defined, nor shall the Executive participate in the efforts of any individual, partnership, firm, corporation or other business corporation or entity for which he provides services, by which he is employed, or in which he invests, to do so. For purposes of this Section 9(c), a "Restricted Employee"

shall mean any person who is both (i) an officer of the Company or any of its affiliates or subsidiaries (or employed by the Company or any of its affiliates or subsidiaries in a position with duties and responsibilities substantially equivalent to

those of an officer, whether or not such person has the title of an officer of any such company) and (ii) a party to (or within the one year prior to the date of determination has been party to) an employment or similar contract with the Company or any of its affiliates or subsidiaries.

(d) Confidential Information. The Executive

recognizes that the services to be performed by him hereunder are special, unique and extraordinary and that, by reason of his employment hereunder, he may acquire confidential information and trade secrets concerning the operations of the Company and its affiliates and subsidiaries. Accordingly, the Executive agrees that he will not, except with the prior written consent of the Board or as may be required by law, directly or indirectly, disclose during the Term or any time thereafter any secret or confidential information that he has learned by reason of his association with the Company or use any such information to the detriment of the Company so long as such confidential information or trade secrets have not been disclosed or are not otherwise in the public domain.

(e) Remedies; Survival of Agreement. In the event

that the Executive materially breaches any of the covenants set forth in this Section 9 and fails to cure such breach to the reasonable satisfaction of the Company within 10 business days after receipt of written notice thereof to the Executive, any obligation of the Company to make any payment to the Executive pursuant to this Agreement, including without limitation any

payments pursuant to Section 8(b) (other than payments of Salary, Deferred Compensation or Bonus earned prior to the date of such breach), shall be cancelled. In addition, the Executive acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its affiliates or subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, in addition to any other rights or remedies it may have, to seek an injunction enjoining or restraining the Executive from any violation or threatened violation of this Section 9. The Executive's agreement as set forth in this Section shall survive the termination of the Executive's employment under this Agreement.

10. Source of Payments.

All payments provided under this Agreement, other than payments made pursuant to a benefit plan which may provide otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. The Executive shall have no right, title, or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall

create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

11. Tax Withholding.

Payments to the Executive of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes.

12. Nonassignability; Binding Agreement.

Except as provided in Section 7(d), neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; provided, however, that nothing -----
in this Section shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death or disability, or his executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company and the Executive's heirs and the personal representatives of the Executive's estate. The Company will not consolidate with or

merge into, or sell all or substantially all of its assets to, another corporation, partnership or other entity, unless such other corporation, partnership or entity shall assume this Agreement, and upon such assumption the Executive and the successor corporation, partnership or other entity shall become obligated to perform all of the terms and conditions set forth herein.

13. Amendment; Waiver.

This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by the parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. Notices.

Any notice hereunder by either party to the other shall be given in writing by personal delivery, telex, telecopy or certified mail, return receipt requested, to the applicable address set forth below:

- (i) To the Company: Viacom Inc.
1515 Broadway
New York, New York 10036
Attn.: (i) Chairman of the Board and
(ii) Executive Vice President, General
Counsel and Chief Administrative
Officer

With a copy to: Stephen R. Volk, Esq.
Shearman & Sterling
599 Lexington Avenue
New York, New York 10022

(ii) To the Executive: Frank J. Biondi, Jr.
Viacom Inc.
1515 Broadway
New York, New York 10036

With a copy to: Arthur L. Liman, Esq.
Paul, Weiss, Wharton, Rifkind & Garrison
1285 Avenue of the Americas
New York, New York 10019

(or such other address as may from time to time be designated by notice by any party hereto for such purpose). Notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by telex or telecopy, on the business day following receipt of answerback or telecopy confirmation or, if by certified mail, on the date shown on the applicable return receipt.

15. New York Law.

This Agreement is to be governed by and interpreted in accordance with the laws of the State of New York, without giving effect to the choice-of-law provisions thereof. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall

not affect the force, effect and validity of the remaining portion hereof.

16. Supersedes Previous Agreements.

This Agreement, and the Stock Option Agreement the form of which is attached hereto as Attachment A, constitute the entire understanding between the Company and the Executive relating to employment of the Executive by the Company and its subsidiaries and affiliates and supersede and cancel all prior written and oral agreements and understandings with respect to the subject matter of this Agreement including, without limitation, the Original Employment Agreement. Notwithstanding the preceding sentence, this Agreement is not intended, and shall not be construed, to affect the Executive's rights in any compensation or benefits that have been granted or accrued prior to the Effective Date.

17. Counterparts.

This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

18. Guarantee.

Simultaneously with the execution of this Agreement, Viacom and Paramount will each execute a guarantee, in form previously agreed upon between the Company and the Executive,

pursuant to which Viacom and Paramount will jointly and severally guarantee certain obligations of the Company under this Agreement, on the terms and conditions set forth in such guarantee.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 19th day of September, 1994, effective as of the day and year first set forth above.

VIACOM INC.

By: /s/ Sumner M. Redstone

Title: Chairman

/s/ Frank J. Biondi, Jr.

Frank J. Biondi, Jr.

ATTACHMENT A

Agreement Under the
Viacom Inc.
1994 Long-Term Management Incentive Plan

AGREEMENT, dated as of August 18, 1994, by and between VIACOM INC., a Delaware corporation (the "Company"), and FRANK J. BIONDI, JR. (the "Participant"), with respect to a grant of stock options under the Company's 1994 Long-Term Management Incentive Plan (the "Plan").

This Agreement, together with the agreements delivered under the Plan in connection with any subsequent grant of stock options under the Plan and a memorandum with respect to the Plan that will be distributed prior to the date on which the first increment of stock options under this grant vests, will constitute the prospectus covering the shares of the Company's Class B Common Stock, par value \$0.01 per share (the "Class B Common Stock"), subject to the Plan. The Participant can receive additional copies of his or her Plan agreements and the memorandum upon request to the Administrator, Long-Term Incentive Plans, Viacom International Inc., 1515 Broadway, New York, New York 10036.

WITNESSETH:

WHEREAS, the Participant is entering into an Employment Agreement, dated as of August 1, 1994 (the "Employment Agreement"), with the Company pursuant to which the Participant will continue to serve, on the terms and conditions set forth in the Employment Agreement, in his current capacities as President and Chief Executive Officer of the Company (all capitalized terms used in this Agreement without definition to have the meanings ascribed to such terms in the Employment Agreement); and

WHEREAS, the Company desires to reward the Participant, in accordance with the terms hereof, for the Participant's contributions to the financial success of the Company, and to provide incentives to the Participant to continue to contribute to such success in the future, by awarding the Participant stock options to purchase shares of Class B Common Stock;

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

ARTICLE I

TERMS OF STOCK OPTIONS

Section 1.1 Grant of Stock Options. Subject to the

 terms and conditions contained herein and in the Plan, the terms
 of which are hereby incorporated by reference, the Company hereby
 awards to the Participant, effective August 18, 1994 (the "Date

 of Grant"), a grant of one million (1,000,000) stock options to

 purchase shares of Class B Common Stock at the exercise prices
 (the "Exercise Prices") indicated below:

Number of Stock Options	Exercise Price
-----	-----
600,000	\$ 35.75 (the "A Options")
200,000	\$ 40.4375 (the "B Options")
200,000	\$ 52.125 (the "C Options")

The A Options, the B Options and the C Options are referred to
 herein collectively as the "Stock Options".

In accordance with the terms of the Employment
 Agreement, the Executive acknowledges that he shall have no
 contractual entitlement pursuant to the Employment Agreement to
 any further grants of stock options prior to the end of the
 Initial Term, it being understood that the Company may, in its
 sole discretion, grant additional stock options to the Executive
 during the Initial Term. The Stock Options granted hereunder are
 not intended to be, or qualify as, "Incentive Stock Options"

within the meaning of Section 422A of the Code.

Section 1.2 Terms of Stock Options.
 -----(a) Vesting. The Stock Options shall be exercisable

only to the extent the Participant is vested therein. The A
 Options, the B Options and the C Options shall have the same
 vesting schedule and, subject to accelerated vesting under the
 circumstances described in Section 2.2, shall vest in equal 20%
 increments on July 31, 1996, July 31, 1997, July 31 1998, July
 31, 1999 and July 31, 2000, provided, however, that if the

Executive's employment is terminated by the Company without
 Cause, if the Executive resigns from his employment for Good
 Reason, or if the Executive's employment with the Company
 terminates by reason of death or Permanent Disability, then in
 any such case all Outstanding Stock Options shall be considered
 vested and exercisable as of the date of such termination or
 resignation of employment.

(b) Option Period. Except as provided in Section

1.2(c) hereof, the period during which the Stock Options may be

exercised shall expire on the tenth anniversary of the Date of Grant (the "Expiration Date").

(c) Exercise in the Event of Termination of

Employment, Retirement, Death or Permanent Disability.

(i) Termination other than for Cause, Retirement,

Death or Permanent Disability. In the event that (A) the

Participant ceases to be an employee of the Company or any of its subsidiaries by reason of the voluntary termination by the Participant, the termination by the Company or any of its subsidiaries other than for Cause or the Participant's Retirement, his Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of three months after the date of such termination or Retirement or the Expiration Date, (B) the Participant dies during a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options (all of which, pursuant to Section 1.2(a), will have become exercisable as of the date of death) may be exercised by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution until the earlier of one year after such death (or such longer period as may be determined by the Committee, in its discretion, prior to the expiration of such one-year period) or the Expiration Date, and (C) the employment of the Participant terminated by reason of Permanent Disability, the Participant may exercise his Outstanding Stock Options (all of which, pursuant to Section 1.2(a), will have become exercisable upon such termination of employment) until the earlier of one year after such date or the Expiration Date. Upon the occurrence of an event described in clause (A) of this Section 1.2(c)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished.

(ii) Termination for Cause. If the Participant's

employment with the Company or any of its subsidiaries ends because of a Termination for Cause, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

Section 1.3 Exercise of Stock Options.

(a) Whole or Partial Exercise. Subject to the

restrictions of Section 1.2(b) hereof, the Participant (or such other person as may be authorized to exercise any Outstanding Stock Options pursuant to Section 1.2(b)(iv)) may exercise all vested Stock Options granted hereunder at one time or in installments of 100 Stock Options (or in the whole number of

unexpired Stock Options in which the Participant is vested, if such number is less than 100) by written notice to the Administrator, Long-Term Incentive Plans, Viacom International Inc., 1515 Broadway, New York, New York 10036. Subject to the preceding sentence, the Participant (or such other person) may exercise A Options, B Options or C Options or any combination thereof. Such notice shall (i) state the number of full Stock Options being exercised, (ii) be signed by the person or persons so exercising the Stock Options and, in the event the Stock Options are being exercised (pursuant to Section 1.2(c)(iv) hereof) by any person or persons other than the Participant accompanied by proof satisfactory to the Company's counsel of the right of such person or persons to exercise the Stock Options, and (iii) be accompanied by full payment as set forth in Section 1.3(b) hereof.

(b) Payment of Aggregate Option Price. The written

notice of exercise described above must be accompanied by full payment of the aggregate Exercise Price which shall be determined by multiplying the number of Stock Options being exercised by the relevant Exercise Price. Such Exercise Price shall be paid in cash (e.g., personal bank check, certified check or official bank check), in shares of Class B Common Stock, or in a combination of cash and shares of Class B Common Stock; shares of Class B Common Stock tendered in payment of all or a portion of such Exercise Price shall be considered to have a value equal to the Fair Market Value of such shares determined as of the day preceding the date of tender. In addition, in accordance with Section 4.3 hereof, the Participant shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined Federal, state and local withholding tax obligations which arise in connection with the exercise of such Stock Options.

(c) Issuance of Share Certificates. Upon satisfaction

of the conditions set forth in Section 1.3(b) hereof, the Company shall deliver (or cause to be delivered) a certificate or certificates for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options to the Participant.

ARTICLE II

EFFECT OF CERTAIN CORPORATE CHANGES
AND CHANGES IN CONTROL

Section 2.1 Effect of Reorganization. In the event

 that (i) the Company is merged or consolidated with another corporation, (ii) one person becomes the beneficial owner of more than fifty percent (50%) of the issued and outstanding equity securities of the Company (for purposes of this Section 2.1, the terms "person" and "beneficial owner" shall have the meanings assigned to them in Section 13(d) of the Exchange Act), (iii) all or substantially all of the assets of the Company are acquired by another corporation, person or entity (each such event in (i), (ii) or (iii) or any other similar event or series of events which results in an event described in (i), (ii) or (iii), being hereinafter referred to as a "Reorganization Event") or (iv) the

 Board shall propose that the Company enter into a Reorganization Event, then the Compensation Committee shall take one of the following actions, the choice of which being in its sole discretion (or other action with the agreement of the Participant): (i) cause the surviving entity or new owner, as the case may be, to agree to adopt the Plan and this Agreement and to continue in effect their respective terms as such terms were in effect as of the date of the Reorganization Event, except that equitable adjustments shall be made, if appropriate, to reflect the value of the Class B Common Stock subject to such Stock Options immediately prior to and following the occurrence of the Reorganization Event; (ii) cause the surviving entity or new owner, as the case may be, to grant new stock options (the "Substitute Options"), in substitution for the unexercised Stock

 Options as of the date of the Reorganization Event; provided,

 however, that such Substitute Options shall have a value, as of

 the date of such Reorganization Event, equal to the value of such unexercised Stock Options as of such date; (iii) provide for the payment upon termination or cancellation of Outstanding Stock Options of an amount in cash or securities equal to the excess, if any, of the Fair Market Value of the Class B Common Stock subject to such Stock Options at the time of such termination or cancellation over the aggregate exercise price of such Stock Options; or (iv) advance the dates upon which all Outstanding Stock Options vest.

Notwithstanding the provisions of the preceding sentence, in the event that the effect of the provisions contained therein should become a material impediment, either from a financial point of view or otherwise, to the consummation of a proposed Reorganization Event, the Compensation Committee may take such action as it deems equitable and appropriate to provide the Participant with a benefit equivalent to that which he would have been entitled had such event not occurred. Further, for the purposes of the first sentence of this Section

2.1, no event or series of events involving National Amusements, Inc., the Company or any of their respective subsidiaries or affiliates shall be deemed to be a Reorganization Event unless such event or series of events results in there being no class of equity securities of the Company which is publicly traded. Any action taken by the Compensation Committee may be made conditional upon the consummation of the applicable Reorganization Event. Further, in the event that a division or subsidiary of the Company is acquired by another corporation, person, or entity, the Company is reorganized, dissolved or liquidated, an event or series of events involving a corporate restructuring not described in the first sentence of this Section 2.1 occurs, or the Board shall propose that the Company enter into any such transaction, event or series of events, then the Committee will take such action as it, in its sole discretion, deems equitable or appropriate to provide the Participant with a benefit equivalent to that which he would have been entitled to had such event not occurred.

Section 2.2 Acceleration of Vesting in the Event of

Certain Tender Offers. In addition to the provisions of Section

2.1, and notwithstanding anything in Section 2.1 to the contrary,
if National Amusements, Inc. ("NAI") has reduced or agreed to

reduce its ownership of shares and/or other securities of the Company to less than a majority of the combined voting power of all shares and other securities of the Company entitled to vote in the election of directors, then all of the Outstanding Stock Options shall vest and become exercisable on the fifth business day preceding the scheduled expiration of any tender offer for at least 50% of the outstanding shares of Class B Common Stock if such tender offer constitutes part of a bona fide transaction, or

series of transactions, the consequence of which would be the acquisition, by a person or entity not affiliated with NAI, of shares and/or other securities representing in the aggregate a majority of the combined voting power of all shares and other securities of the Company entitled to vote in the election of directors.

Section 2.3 Dilution and Other Adjustments. In the

event of a stock dividend or split, issuance or repurchase of stock or securities convertible into or exchangeable for shares of stock, grants of options, warrants or rights (other than pursuant to the Plan) to purchase stock, recapitalization, combination, exchange or similar change affecting the Class B Common Stock, the Compensation Committee shall, in its sole discretion, make any or all of the following adjustments to provide the Participant with a benefit equivalent to that which he would have been entitled had such event not occurred: (i) adjust the number of shares of Class B Common Stock subject to the Stock Options granted to the Participant, (ii) adjust the

Exercise Price of the shares of Class B Common Stock subject to such Stock Options, and (iii) make any other adjustments, or take such action, if any, as the Compensation Committee, in its sole discretion, deems appropriate. Such adjustments shall be conclusive and binding for all purposes. In the event of a change in the Class B Common Stock which is limited to a change in the designation thereof to "Capital Stock" or other similar designation, or to a change in the par value thereof, or from par value to no par value, without increase or decrease in the number of issued shares, the shares resulting from any such change shall be deemed to be Class B Common Stock within the meaning of this Agreement and the Plan.

ARTICLE III

DEFINITIONS

In addition to terms heretofore defined in this Agreement and terms the definition of which is incorporated by reference to the Employment Agreement, as used herein the following terms shall have the following meanings:

- (a) "Fair Market Value" of a share of Class B Common

 Stock on a given date shall be the 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 Compensation Committee or, in the event that the Class B Common Stock is not listed for trading on a national securities exchange but is quoted on an automated quotation system, the average closing bid price per share of the Class B Common Stock on such automated quotation system or, in the event that the Class B Common Stock is not quoted on any such system, the average of the closing bid prices per share of the Class B Common Stock as furnished by a professional marketmaker making a market in the Class B Common Stock designated by the Compensation Committee.

- (b) "Outstanding Stock Option" shall mean a Stock

 Option granted to the Participant which has not yet been exercised and which has not yet expired in accordance with its terms.

- (c) "Termination for Cause" shall mean a termination

 of the Executive's employment with the Company or any of its subsidiaries by reason of "Cause", as such term is defined in the Employment Agreement.

- (d) To "vest" a Stock Option held by the Participant

 shall mean to render such Stock Option nonforfeitable, except as otherwise provided in this Agreement.

ARTICLE IV

MISCELLANEOUS

Section 4.1 No Rights of Continued Employment.

Neither this Agreement, the Plan nor any action taken in accordance with such documents shall be construed as giving the Participant any right to be retained by the Company or any of its subsidiaries, it being understood and acknowledged that the terms of the Participant's employment with the Company are governed by the Employment Agreement.

Section 4.2 Restrictions on Transfer. The rights of

the Participant with respect to the Stock Options shall not be transferable to the Participant otherwise than by will or the laws of descent and distribution.

Section 4.3 Tax Withholding. As a condition to the

exercise of the Stock Options, the Participant shall make a payment (or an arrangement acceptable to the Company for the withholding of such payment) sufficient to satisfy the combined Federal, state and local withholding tax obligations which arise in connection with the exercise of such Stock Options.

Section 4.4 Stockholder Rights. The grant of Stock

Options under this Agreement shall not entitle the Participant to any rights of a holder of shares of Class B Common Stock, except upon the delivery of shares certificates to the Participant upon exercise of a Stock Option.

Section 4.5 No Restriction on Right of Company to

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

Section 4.6 Amendment. Other than as provided in

Article II hereof, this Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by

both parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

Section 4.7 Notices. Every notice or other

communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided. If no such address has been specified by the Participant, such notices or communications shall be sent to the Participant's address as specified in the records of the Company.

Section 4.8 Headings. The headings of sections and

subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Agreement.

Section 4.9 Receipt of Copy of Plan. By executing

this Agreement, the Participant acknowledges receipt of a copy of the Plan.

Section 4.10 Governing Law. This Agreement and all

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

VIACOM INC.

By:

Senior Vice President
Human Resources and
Administration

Participant

Form of Amendment to Stock Option Agreement

AMENDMENT NO. [1], dated as of _____, [1995], to the Agreement, dated as of August 18, 1994 (the "Stock Option Agreement"), by and between VIACOM INC., a Delaware corporation (the "Company"), and FRANK J. BIONDI, JR. (the "Participant"), with respect to a grant of stock options under the Company's 1994 Long-Term Management Incentive Plan (the "Plan") is hereby amended as follows:

1. Section 1(c) of the Stock Option Agreement is amended in its entirety to read as follows:

"(c) Exercise in the Event of Termination of Employment, Death or Permanent Disability.

(i) Termination for Cause, Resignation without Good Reason. If the Executive's employment is terminated by the Company for Cause or if the Executive resigns from his employment without Good Reason, his Outstanding Stock Options may be exercised to the extent exercisable as of the date of such termination or resignation until the earlier of (A) 15 days after the date of such termination or resignation and (B) the Expiration Date. All Stock Options that have not become exercisable as of the date of such termination or resignation of employment will be forfeited and all rights with respect thereto will be relinquished by the Participant without any consideration being paid therefor.

(ii) Termination Without Cause, Resignation for Good Reason. If the Executive's employment is terminated by the Company without Cause or if the Executive resigns from his employment for Good Reason, then the Outstanding Stock Options (all of which, pursuant to Section 1.2, shall be considered vested and exercisable as of the date of such termination or resignation of employment) shall remain exercisable until the later of (A) six months following the date of such termination or resignation of employment and (B) the second anniversary of the Date of Grant, provided, however, that in no event shall any Outstanding Stock Options remain exercisable following the Expiration Date.

(iii) Non-Renewal. If the Executive's employment with the Company terminates at the end of the Initial Term, or at the end of any one-year extension thereof, as a result of the giving of notice by the Company or the Executive of its or his intention to terminate the Employment Agreement

at the end of the then-effective Term, the Outstanding Stock Options (all of which will have become exercisable by the end of the Initial Term) shall remain exercisable until six months following the date of the termination of the Executive's employment, provided, however, that in no event

shall any Outstanding Stock Options remain exercisable following the Expiration Date.

(iv) Death, Permanent Disability. If the Executive's

employment with the Company terminates by reason of Death or Permanent Disability, then the Outstanding Stock Options (all of which, pursuant to Section 1.2, shall be considered vested and exercisable as of the date of such termination of the Executive's employment) shall remain exercisable until the second anniversary of the date of such termination of employment (or such longer period as may be determined by the Committee, in its discretion, prior to the expiration of such two-year period), provided, however, that in no event

shall any Outstanding Stock Options remain exercisable following the Expiration Date. Following the Executive's death, Outstanding Stock Options may be exercised during the period provided for in this Section 1.2(c)(iv) by the person who acquires the right to exercise such Stock Options by will or the laws of descent and distribution; following termination of the Executive's employment due to Permanent Disability, Outstanding Stock Options may be exercised during the period provided for in this Section 1.2(c)(iv) by the Executive or his conservator or guardian, as the case may be."

2. General. Except as amended hereby, the Stock

Option Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. [1] effective as of the day and year first set forth above.

VIACOM INC.

By: _____
Title: _____

Frank J. Biondi, Jr.

Agreement Under the
Viacom Inc.
1994 Long-Term Management Incentive Plan

AGREEMENT, dated as of August 18, 1994, by and between VIACOM INC., a Delaware corporation (the "Company"), and FRANK J. BIONDI, JR. (the "Participant"), with respect to a grant of stock options under the Company's 1994 Long-Term Management Incentive Plan (the "Plan").

This Agreement, together with the agreements delivered under the Plan in connection with any subsequent grant of stock options under the Plan and a memorandum with respect to the Plan that will be distributed prior to the date on which the first increment of stock options under this grant vests, will constitute the prospectus covering the shares of the Company's Class B Common Stock, par value \$0.01 per share (the "Class B Common Stock"), subject to the Plan. The Participant can receive additional copies of his or her Plan agreements and the memorandum upon request to the Administrator, Long-Term Incentive Plans, Viacom International Inc., 1515 Broadway, New York, New York 10036.

WITNESSETH:

WHEREAS, the Participant is entering into an Employment Agreement, dated as of August 1, 1994 (the "Employment Agreement"), with the Company pursuant to which the Participant will continue to serve, on the terms and conditions set forth in the Employment Agreement, in his current capacities as President and Chief Executive Officer of the Company (all capitalized terms used in this Agreement without definition to have the meanings ascribed to such terms in the Employment Agreement); and

WHEREAS, the Company desires to reward the Participant, in accordance with the terms hereof, for the Participant's contributions to the financial success of the Company, and to provide incentives to the Participant to continue to contribute to such success in the future, by awarding the Participant stock options to purchase shares of Class B Common Stock;

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

ARTICLE I

TERMS OF STOCK OPTIONS

Section 1.1 Grant of Stock Options. Subject to the

 terms and conditions contained herein and in the Plan, the terms
 of which are hereby incorporated by reference, the Company hereby
 awards to the Participant, effective August 18, 1994 (the "Date

 of Grant"), a grant of one million (1,000,000) stock options to

 purchase shares of Class B Common Stock at the exercise prices
 (the "Exercise Prices") indicated below:

Number of Stock Options	Exercise Price
-----	-----
600,000	\$ 35.75 (the "A Options")
200,000	\$ 40.4375 (the "B Options")
200,000	\$ 52.125 (the "C Options")

The A Options, the B Options and the C Options are referred to
 herein collectively as the "Stock Options".

In accordance with the terms of the Employment
 Agreement, the Executive acknowledges that he shall have no
 contractual entitlement pursuant to the Employment Agreement to
 any further grants of stock options prior to the end of the
 Initial Term, it being understood that the Company may, in its
 sole discretion, grant additional stock options to the Executive
 during the Initial Term. The Stock Options granted hereunder are
 not intended to be, or qualify as, "Incentive Stock Options"

within the meaning of Section 422A of the Code.

Section 1.2 Terms of Stock Options.
 -----(a) Vesting. The Stock Options shall be exercisable

only to the extent the Participant is vested therein. The A
 Options, the B Options and the C Options shall have the same
 vesting schedule and, subject to accelerated vesting under the
 circumstances described in Section 2.2, shall vest in equal 20%
 increments on July 31, 1996, July 31, 1997, July 31 1998, July
 31, 1999 and July 31, 2000, provided, however, that if the

Executive's employment is terminated by the Company without
 Cause, if the Executive resigns from his employment for Good
 Reason, or if the Executive's employment with the Company
 terminates by reason of death or Permanent Disability, then in
 any such case all Outstanding Stock Options shall be considered
 vested and exercisable as of the date of such termination or
 resignation of employment.

(b) Option Period. Except as provided in Section

1.2(c) hereof, the period during which the Stock Options may be

exercised shall expire on the tenth anniversary of the Date of Grant (the "Expiration Date").

(c) Exercise in the Event of Termination of

Employment, Retirement, Death or Permanent Disability.

(i) Termination other than for Cause, Retirement,

Death or Permanent Disability. In the event that (A) the

Participant ceases to be an employee of the Company or any of its subsidiaries by reason of the voluntary termination by the Participant, the termination by the Company or any of its subsidiaries other than for Cause or the Participant's Retirement, his Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of three months after the date of such termination or Retirement or the Expiration Date, (B) the Participant dies during a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options (all of which, pursuant to Section 1.2(a), will have become exercisable as of the date of death) may be exercised by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution until the earlier of one year after such death (or such longer period as may be determined by the Committee, in its discretion, prior to the expiration of such one-year period) or the Expiration Date, and (C) the employment of the Participant terminated by reason of Permanent Disability, the Participant may exercise his Outstanding Stock Options (all of which, pursuant to Section 1.2(a), will have become exercisable upon such termination of employment) until the earlier of one year after such date or the Expiration Date. Upon the occurrence of an event described in clause (A) of this Section 1.2(c)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished.

(ii) Termination for Cause. If the Participant's

employment with the Company or any of its subsidiaries ends because of a Termination for Cause, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

Section 1.3 Exercise of Stock Options.

(a) Whole or Partial Exercise. Subject to the

restrictions of Section 1.2(b) hereof, the Participant (or such other person as may be authorized to exercise any Outstanding Stock Options pursuant to Section 1.2(b)(iv)) may exercise all vested Stock Options granted hereunder at one time or in installments of 100 Stock Options (or in the whole number of

unexpired Stock Options in which the Participant is vested, if such number is less than 100) by written notice to the Administrator, Long-Term Incentive Plans, Viacom International Inc., 1515 Broadway, New York, New York 10036. Subject to the preceding sentence, the Participant (or such other person) may exercise A Options, B Options or C Options or any combination thereof. Such notice shall (i) state the number of full Stock Options being exercised, (ii) be signed by the person or persons so exercising the Stock Options and, in the event the Stock Options are being exercised (pursuant to Section 1.2(c)(iv) hereof) by any person or persons other than the Participant accompanied by proof satisfactory to the Company's counsel of the right of such person or persons to exercise the Stock Options, and (iii) be accompanied by full payment as set forth in Section 1.3(b) hereof.

(b) Payment of Aggregate Option Price. The written

notice of exercise described above must be accompanied by full payment of the aggregate Exercise Price which shall be determined by multiplying the number of Stock Options being exercised by the relevant Exercise Price. Such Exercise Price shall be paid in cash (e.g., personal bank check, certified check or official bank check), in shares of Class B Common Stock, or in a combination of cash and shares of Class B Common Stock; shares of Class B Common Stock tendered in payment of all or a portion of such Exercise Price shall be considered to have a value equal to the Fair Market Value of such shares determined as of the day preceding the date of tender. In addition, in accordance with Section 4.3 hereof, the Participant shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined Federal, state and local withholding tax obligations which arise in connection with the exercise of such Stock Options.

(c) Issuance of Share Certificates. Upon satisfaction

of the conditions set forth in Section 1.3(b) hereof, the Company shall deliver (or cause to be delivered) a certificate or certificates for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options to the Participant.

ARTICLE II

EFFECT OF CERTAIN CORPORATE CHANGES
AND CHANGES IN CONTROL

Section 2.1 Effect of Reorganization. In the event

 that (i) the Company is merged or consolidated with another corporation, (ii) one person becomes the beneficial owner of more than fifty percent (50%) of the issued and outstanding equity securities of the Company (for purposes of this Section 2.1, the terms "person" and "beneficial owner" shall have the meanings assigned to them in Section 13(d) of the Exchange Act), (iii) all or substantially all of the assets of the Company are acquired by another corporation, person or entity (each such event in (i), (ii) or (iii) or any other similar event or series of events which results in an event described in (i), (ii) or (iii), being hereinafter referred to as a "Reorganization Event") or (iv) the

 Board shall propose that the Company enter into a Reorganization Event, then the Compensation Committee shall take one of the following actions, the choice of which being in its sole discretion (or other action with the agreement of the Participant): (i) cause the surviving entity or new owner, as the case may be, to agree to adopt the Plan and this Agreement and to continue in effect their respective terms as such terms were in effect as of the date of the Reorganization Event, except that equitable adjustments shall be made, if appropriate, to reflect the value of the Class B Common Stock subject to such Stock Options immediately prior to and following the occurrence of the Reorganization Event; (ii) cause the surviving entity or new owner, as the case may be, to grant new stock options (the "Substitute Options"), in substitution for the unexercised Stock

 Options as of the date of the Reorganization Event; provided,

 however, that such Substitute Options shall have a value, as of

 the date of such Reorganization Event, equal to the value of such unexercised Stock Options as of such date; (iii) provide for the payment upon termination or cancellation of Outstanding Stock Options of an amount in cash or securities equal to the excess, if any, of the Fair Market Value of the Class B Common Stock subject to such Stock Options at the time of such termination or cancellation over the aggregate exercise price of such Stock Options; or (iv) advance the dates upon which all Outstanding Stock Options vest.

Notwithstanding the provisions of the preceding sentence, in the event that the effect of the provisions contained therein should become a material impediment, either from a financial point of view or otherwise, to the consummation of a proposed Reorganization Event, the Compensation Committee may take such action as it deems equitable and appropriate to provide the Participant with a benefit equivalent to that which he would have been entitled had such event not occurred. Further, for the purposes of the first sentence of this Section

2.1, no event or series of events involving National Amusements, Inc., the Company or any of their respective subsidiaries or affiliates shall be deemed to be a Reorganization Event unless such event or series of events results in there being no class of equity securities of the Company which is publicly traded. Any action taken by the Compensation Committee may be made conditional upon the consummation of the applicable Reorganization Event. Further, in the event that a division or subsidiary of the Company is acquired by another corporation, person, or entity, the Company is reorganized, dissolved or liquidated, an event or series of events involving a corporate restructuring not described in the first sentence of this Section 2.1 occurs, or the Board shall propose that the Company enter into any such transaction, event or series of events, then the Committee will take such action as it, in its sole discretion, deems equitable or appropriate to provide the Participant with a benefit equivalent to that which he would have been entitled to had such event not occurred.

Section 2.2 Acceleration of Vesting in the Event of

Certain Tender Offers. In addition to the provisions of Section

2.1, and notwithstanding anything in Section 2.1 to the contrary, if National Amusements, Inc. ("NAI") has reduced or agreed to

reduce its ownership of shares and/or other securities of the Company to less than a majority of the combined voting power of all shares and other securities of the Company entitled to vote in the election of directors, then all of the Outstanding Stock Options shall vest and become exercisable on the fifth business day preceding the scheduled expiration of any tender offer for at least 50% of the outstanding shares of Class B Common Stock if such tender offer constitutes part of a bona fide transaction, or

series of transactions, the consequence of which would be the acquisition, by a person or entity not affiliated with NAI, of shares and/or other securities representing in the aggregate a majority of the combined voting power of all shares and other securities of the Company entitled to vote in the election of directors.

Section 2.3 Dilution and Other Adjustments. In the

event of a stock dividend or split, issuance or repurchase of stock or securities convertible into or exchangeable for shares of stock, grants of options, warrants or rights (other than pursuant to the Plan) to purchase stock, recapitalization, combination, exchange or similar change affecting the Class B Common Stock, the Compensation Committee shall, in its sole discretion, make any or all of the following adjustments to provide the Participant with a benefit equivalent to that which he would have been entitled had such event not occurred: (i) adjust the number of shares of Class B Common Stock subject to the Stock Options granted to the Participant, (ii) adjust the

Exercise Price of the shares of Class B Common Stock subject to such Stock Options, and (iii) make any other adjustments, or take such action, if any, as the Compensation Committee, in its sole discretion, deems appropriate. Such adjustments shall be conclusive and binding for all purposes. In the event of a change in the Class B Common Stock which is limited to a change in the designation thereof to "Capital Stock" or other similar designation, or to a change in the par value thereof, or from par value to no par value, without increase or decrease in the number of issued shares, the shares resulting from any such change shall be deemed to be Class B Common Stock within the meaning of this Agreement and the Plan.

ARTICLE III

DEFINITIONS

In addition to terms heretofore defined in this Agreement and terms the definition of which is incorporated by reference to the Employment Agreement, as used herein the following terms shall have the following meanings:

- (a) "Fair Market Value" of a share of Class B Common

 Stock on a given date shall be the 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 Compensation Committee or, in the event that the Class B Common Stock is not listed for trading on a national securities exchange but is quoted on an automated quotation system, the average closing bid price per share of the Class B Common Stock on such automated quotation system or, in the event that the Class B Common Stock is not quoted on any such system, the average of the closing bid prices per share of the Class B Common Stock as furnished by a professional marketmaker making a market in the Class B Common Stock designated by the Compensation Committee.

- (b) "Outstanding Stock Option" shall mean a Stock

 Option granted to the Participant which has not yet been exercised and which has not yet expired in accordance with its terms.

- (c) "Termination for Cause" shall mean a termination

 of the Executive's employment with the Company or any of its subsidiaries by reason of "Cause", as such term is defined in the Employment Agreement.

- (d) To "vest" a Stock Option held by the Participant

 shall mean to render such Stock Option nonforfeitable, except as otherwise provided in this Agreement.

ARTICLE IV

MISCELLANEOUS

Section 4.1 No Rights of Continued Employment.

Neither this Agreement, the Plan nor any action taken in accordance with such documents shall be construed as giving the Participant any right to be retained by the Company or any of its subsidiaries, it being understood and acknowledged that the terms of the Participant's employment with the Company are governed by the Employment Agreement.

Section 4.2 Restrictions on Transfer. The rights of

the Participant with respect to the Stock Options shall not be transferable to the Participant otherwise than by will or the laws of descent and distribution.

Section 4.3 Tax Withholding. As a condition to the

exercise of the Stock Options, the Participant shall make a payment (or an arrangement acceptable to the Company for the withholding of such payment) sufficient to satisfy the combined Federal, state and local withholding tax obligations which arise in connection with the exercise of such Stock Options.

Section 4.4 Stockholder Rights. The grant of Stock

Options under this Agreement shall not entitle the Participant to any rights of a holder of shares of Class B Common Stock, except upon the delivery of shares certificates to the Participant upon exercise of a Stock Option.

Section 4.5 No Restriction on Right of Company to

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

Section 4.6 Amendment. Other than as provided in

Article II hereof, this Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by

both parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

Section 4.7 Notices. Every notice or other

communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided. If no such address has been specified by the Participant, such notices or communications shall be sent to the Participant's address as specified in the records of the Company.

Section 4.8 Headings. The headings of sections and

subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Agreement.

Section 4.9 Receipt of Copy of Plan. By executing

this Agreement, the Participant acknowledges receipt of a copy of the Plan.

Section 4.10 Governing Law. This Agreement and all

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

VIACOM INC.

By: /s/ William Roskin

Senior Vice President
Human Resources and
Administration

/s/ Frank J. Biondi, Jr.

Participant

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