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CAPITAL CITIES ABC INC

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DISCLOSURE INCORPORATED BETHESDA MD 20816

FOR 12/31/89

Quick Reference Chart to Contents of SEC Filings

REPORT CONTENTS	10-K	20-F	10-Q	8-K	10-C	6-K	Proxy Statement	Prospectus	Registration Statements '34 Act F-10	Registration Statements '34 Act 8-A 8-B	Registration Statements '33 Act "S" Type	ARS	Listing Application	N-SAR
Auditor														
□ Name	A	A	■				F	A	A		A	A	■	A
□ Opinion	A	A	■						A			A		A
□ Changes				A			■							
Compensation Plans														
□ Equity	■		■				F	F	A		F		■	■
□ Monetary	■		■				A	F	A		F		■	■
Company Information														
□ Nature of Business	A	A				F		A	A		A	■	■	
□ History	F	A					■	A	F		A	■	■	
□ Organization and Change	F	F		A	■	F	■	A		F	A	■		
Debt Structure	A					F		A	A		A	A		A
Depreciation & Other Schedules	A	A				F		A	A		A			
Dilution Factors	A	A		F		F		A	A		A	A		
Directors, Officers, Insiders														
□ Identification	F	A				F	A	A	A		A	F		
□ Background	■	■	■	■	■	■	A	A	■		A	■		
□ Holdings	■	A		■			A	A	A		A			
□ Compensation	■	A		■			A	A	A		A			
Earnings Per Share	A	A	A			F			A			A		A
Financial Information														
□ Annual Audited	A	A							A		A	A		A
□ Interim Audited		A					■	■			■			
□ Interim Unaudited	■		A	■		F		F			F			
Foreign Operations	A						■	A	A		A	■	F	
Labor Contracts	■	■		■					F		F			
Legal Agreements	F	■		■					F		F			
Legal Counsel				■			■	A			A		■	
Loan Agreements	F			■			■		F		F			■
Plants and Properties	A	F		■				F	A		F	■		
Portfolio Operations														
□ Content (Listing of Securities)														A
□ Management														A
Product-Line Breakout	A							A			A	■		
Securities Structure	A	A			■			A	A		A			
Subsidiaries	A	A					■		A		A			
Underwriting				■				A			A			
Unregistered Securities	■			■			■	■			A			
Block Movements	■			F			■		A				■	

Legend **A** - *always included - included - if occurred or significant* **F** - *frequently included* ■ *special circumstances only*

TENDER OFFER/ACQUISITION REPORTS	13D	13 G	14D-1	14D-9	13E-3	13E-4
Name of Issuer (Subject Company)	A	A	A	A	A	A
Filing Person (or Company)	A	A	A	A	A	A
Amount of Shares Owned	A	A				
Percent of Class Outstanding	A	A				
Financial Statements of Bidders			F		F	F
Purpose of Tender Offer			A	A	A	A
Source and Amount of Funds	A		A		A	
Identity and Background Information			A	A	A	
Persons Retained Employed or to be Compensated			A	A	A	A
Exhibits	F		F	F	F	F

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Capital Cities/ABC, Inc.

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1989 *Annual Report & Form 10-K*

Decentralization is the cornerstone of our management philosophy. Our goal is to hire the best people we can possibly find and give them the responsibility and authority they need to perform their jobs. All decisions are made at the local level, consistent with the basic legal and ethical responsibilities of corporate management. Budgets, which are set yearly and reviewed quarterly, originate with the operating units which are responsible for them. We expect a great deal from our managers. We expect them to be forever cost-conscious and to recognize and exploit sales potential. But above all, we expect them to manage their operations as good citizens and use their facilities to further the community welfare.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 1989.

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________.

Commission file number 1-4278

Capital Cities/ABC, Inc.

(Exact name of registrant as specified in its charter)

New York	**14-1284013**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
77 West 66th Street, New York, N.Y.	**10023**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (212) 456-7777

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	**(Name of each exchange on which registered)**
Common Stock, $1.00 par value	New York Stock Exchange Pacific Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is $7,200,200,000 as of February 28, 1990.

The number of shares outstanding of the issuer's common stock as of February 28, 1990: 17,337,120 shares, excluding 1,056,376 treasury shares.

Portions of Part I are incorporated herein by reference to the 1989 Annual Report to Shareholders and the definitive Proxy Statement for the annual meeting of shareholders to be held on May 17, 1990.

Part II and Part IV, with the exception of certain schedules and exhibits, are incorporated herein by reference to the 1989 Annual Report to Shareholders.

Part III is incorporated herein by reference to the definitive Proxy Statement for the annual meeting of shareholders to be held on May 17, 1990.

PART I

Item 1. *Business.*

Capital Cities/ABC, Inc. and/or its subsidiaries (the "Company") operate the ABC Television Network, eight television stations, the ABC Radio Networks and 21 radio stations, and provide programming for cable television. The Company publishes newspapers, shopping guides, various specialized and business periodicals, books and records, provides research services and also distributes information from data bases.

Employees

At December 31, 1989, the Company had approximately 19,860 full-time employees: 10,350 in broadcasting operations, 9,250 in publishing operations and 260 in corporate activities.

Industry Segments

Information relating to the industry segments of the Company's operations is included on page 35 of the Company's Annual Report to Shareholders and is hereby incorporated by reference. In 1989, the Company derived substantially all broadcasting revenues and approximately 67% of its publishing revenues from the sale of advertising. Virtually all of the balance of publishing revenues was derived from subscription and other circulation receipts and the sale of books and records.

Broadcasting

Television and Radio Networks

The Company operates the ABC Television Network which as of December 31, 1989, had 222 primary affiliated stations reaching over 99% of all U.S. television households. A number of secondary affiliated stations add to the primary coverage. The ABC Television Network has a program schedule consisting of Week-Day Early Morning, Monday through Friday Daytime, Prime Time, News, Children's, Late Night and Sports programming. The Company also operates the ABC Radio Networks which served a total of approximately 3,245 affiliates as of December 31, 1989 through eight different program services, each with its own group of affiliated stations. Included in the ABC Radio Networks is Satellite Music Network, acquired by the Company in 1989, which provides music programming formats live via satellite to radio stations. The ABC Radio Networks also produce and distribute a number of radio program series for radio stations nationwide.

Generally, the Company pays the cost of producing or purchasing the broadcast rights for its network programming and pays varying amounts of compensation to its affiliated stations for broadcasting the programs and commercial announcements included therein. Substantially all revenues from network operations are derived from the sale to advertisers of time in network programs for commercial announcements. The ability to sell time for commercial announcements and the rates received are dependent on the quantitative and qualitative audience that the network can deliver to the advertiser.

Television and Radio Stations

The Company owns seven very high frequency (VHF) television stations, one ultra high frequency (UHF) television station, eleven standard (AM) radio stations and ten frequency modulation (FM) radio stations. All television stations are affiliated with the ABC Television Network and all radio stations, except as noted, are affiliated with the ABC Radio Networks. Markets, frequencies and other station details are set forth in the following tables:

Television stations

Station and market	Channel	Expiration date of FCC authorization	Television market ranking(1)
WABC-TV (New York, NY)	7	June 1, 1994	1
KABC-TV (Los Angeles, CA)	7	Dec. 1, 1993	2
WLS-TV (Chicago, IL)	7	Dec. 1, 1992	3
WPVI-TV (Philadelphia, PA)	6	(2)	4
KGO-TV (San Francisco, CA)	7	Dec. 1, 1993	5
KTRK-TV (Houston, TX)	13	Aug. 1, 1993	10
WTVD (Durham-Raleigh, NC)	11	Dec. 1, 1991	33
KFSN-TV (Fresno, CA)	30	Dec. 1, 1993	62

Radio stations

Station and market	Frequency AM-Kilohertz FM-Megahertz	Expiration date of FCC authorization	Radio market ranking(4)
WABC (New York, NY)	770 K	June 1, 1991	1
KABC (Los Angeles, CA)	790 K	Dec. 1, 1990	2
WLS (Chicago, IL)	890 K	Dec. 1, 1996	3
KGO (San Francisco, CA)	810 K	Dec. 1, 1990	4
WJR (Detroit, MI)	760 K	Oct. 1, 1996	6
WBAP (Fort Worth-Dallas, TX)	820 K	Aug. 1, 1990	7
WMAL (Washington, D.C.)	630 K	Oct. 1, 1995	9
WKHX (Atlanta, GA) (3)	590 K	Apr. 1, 1996	12
KQRS (Minneapolis-St.Paul, MN)	1440 K	(2)	18
KRXY (Denver, CO)	1600 K	(2)	24
WPRO (Providence, RI)	630 K	Apr. 1, 1991	28
WPLJ(FM) (New York, NY)	95.5 M	June 1, 1991	1
KLOS(FM) (Los Angeles, CA)	95.5 M	Dec. 1, 1990	2
WYTZ(FM) (Chicago, IL)	94.7 M	Dec. 1, 1996	3
WHYT(FM) (Detroit, MI)	96.3 M	Oct. 1, 1996	6
KSCS(FM) (Fort Worth-Dallas, TX) (3)	96.3 M	Aug. 1, 1990	7
WRQX(FM) (Washington, D.C.)	107.3 M	Oct. 1, 1995	9
WKHX-FM (Atlanta, GA) (3)	101.5 M	Apr. 1, 1996	12
KQRS-FM (Minneapolis-St. Paul, MN)	92.5 M	(2)	18
KRXY-FM (Denver, CO)	107.5 M	(2)	24
WPRO-FM (Providence, RI)	92.3 M	Apr. 1, 1991	28

(1) Based on Arbitron ADI Market Television Universe Estimates, 1989-1990 season.
(2) See "Licenses—Federal Regulation of Broadcasting/Renewal Matters" below for description of pending license renewal applications.
(3) No network affiliation.
(4) Based on Arbitron Radio Market Survey Schedule and Population Rankings (metro survey area) as of Fall 1989.

Video Enterprises

The Company's video enterprise operations are largely involved in the production and supply of cable television programming, in the licensing of programming to domestic and international home video markets and television stations abroad and investment in foreign-based television and theatrical film production/distribution entities. Its primary services are:

ESPN, a cable sports programming service, which is 80%-owned;

The Arts & Entertainment Network, a cable programming service devoted to cultural and entertainment programming, which is 38%-owned;

Lifetime, a cable programming service devoted to women's lifestyle and health programming with special material for health care professionals, which is 33 1/3%-owned; and

Tele-München GmbH, a Munich, Germany based television and theatrical production/distribution company with interests in cinemas and minority interests in a Munich radio station and a German cable/television program service, which is 50%-owned.

Competition

The ABC Television Network competes for viewers with the other television networks, independent television stations and other video media such as cable television, multipoint distribution services, satellite television program services and video cassettes; in the sale of advertising time, it competes with the other television networks, independent television stations, suppliers of cable television programming, and other advertising media such as newspapers, magazines and billboards. Substantial competition also exists for exclusive broadcasting rights for television programming. The ABC Radio Networks likewise compete with other radio networks and radio programming services, independent radio stations, and other advertising media.

The Company's television and radio stations are in competition with other television and radio stations, cable television systems, multipoint distribution services and other advertising media such as newspapers, magazines and billboards. Such competition occurs primarily in individual market areas. Generally, a television station in one market does not compete directly with other stations in other market areas. Nor does a group of stations, such as those owned by the Company, compete with any other group of stations as such. While the pattern of competition in the radio station industry is basically the same, it is not uncommon for radio stations outside of a market area to place a signal of sufficient strength within that area (particularly during nighttime hours) to gain a share of the audience. However, they generally do not gain a significant share of the advertising marketplace.

In addition to management and experience, factors which are material to competitive position include authorized power allowance, assigned frequency, network affiliation, and local program acceptance, as well as strength of local competition.

The most common sources of television service other than conventional television stations are cable television systems. Cable television can provide more competition for a station by making additional signals available to its audience. In addition, most cable television systems supply programming that is not available on conventional television stations. These include a wide range of advertiser-supported and subscription-supported video programming services. Subscription-supported video programming services are also provided by multipoint distribution services which employ non-broadcast frequencies to transmit subscription television services to individual homes and businesses. Additional services are being provided by low power television stations and by direct satellite-to-home transmissions. Finally, the increased in-home use of video cassette recorders and players provides what is, in effect, an alternative television service.

The Company's video enterprises operations compete with a number of companies involved in developing and supplying program services for cable, distribution of video cassettes, television syndication and theatrical distribution, and with conventional television broadcasters. The development of these businesses could adversely affect the future of conventional television broadcasting.

Technological developments have created the possibility that one or more of the television services with which the ABC Television Network and the Company's stations compete will provide enhanced or "high definition" pictures and sound of a quality that is technically superior to that which is currently available to consumers. It is not yet clear when and to what extent technology of this kind will be available in the various television services, whether and how television stations will be able to avail themselves of these improvements, or whether the viewing public will make choices among services on the basis of such differences. The Company and many other segments of the television industry are intensively studying enhanced and high definition television technology, and both the Congress and the Federal Communications Commission (the "FCC") have initiated proceedings and studies of its potential and application to television service in the United States.

Licenses—Federal Regulation of Broadcasting

Television and radio broadcasting are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act empowers the FCC, among other things, to issue, revoke or modify broadcasting licenses, determine the location of stations, regulate the equipment used by stations, adopt such regulations as may be necessary to carry out the provisions of the Communications Act and impose certain penalties for violation of its regulations.

Renewal Matters.

Broadcasting licenses are granted for a maximum period of seven years, in the case of radio stations, and five years, in the case of television stations, and are renewable upon application therefore. During certain periods when a renewal application is pending, other applicants may file for the frequency and may be entitled to compete with the renewal applicant in a comparative hearing, and others may file petitions to deny the application for renewal of license. Renewal applications are now pending for WPVI-TV, KQRS(AM), KQRS-FM, KRXY(AM) and KRXY-FM. The time to file competing applications and petitions to deny has passed, and no such filings have been made against these stations except for WPVI-TV. A petition to deny has been filed against all commercial television stations in Philadelphia (including WPVI-TV) alleging that they have failed to broadcast adequate programming about issues of concern to women and certain minority groups. The Company has responded to the petition denying its allegations. All of the Company's other owned stations have been granted license renewals by the FCC for regular terms except for KQRS-FM. Action on previous KQRS-FM renewal applications has been delayed pending the outcome of a long-standing dispute involving the technical facilities of several of the FM stations in the KQRS-FM market. The dispute among the parties has now been resolved, and the FCC is expected to act on this matter following completion of construction of the station's new antenna facility and the filing of a covering license application. On December 31, 1989, a new renewal application was filed in the regular course.

Ownership Matters

The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC, and prohibits the Company from having any officer or director who is an alien, and from having more than one-fifth of its stock owned by aliens or representatives of aliens or foreign governments.

The FCC's "multiple ownership" rules provide that a license for a television station will not be granted if the applicant owns, or has a significant interest in, another television station which provides service to areas already served by the station operated or controlled by the applicant or if granting the license would result in a concentration of control of broadcasting. A more narrowly-defined restriction applies to common ownership of two or more radio stations of the same type (AM or FM) in the same area. Those rules also preclude the grant of applications for station acquisitions which would result in the creation of new radio-television combinations in the same market under common ownership, or the sale of such a combination to a single party, subject to the availability of waiver. Under FCC policy, waiver applications that involve radio-television station combinations in the top 25 TV markets where there would be at least 30 separately owned, operated and controlled broadcast licensees after the proposed combination will generally be favorably received. Under present FCC rules, a single entity may directly or indirectly own, operate or have a significant interest in up to twelve AM and twelve FM radio stations, and up to twelve television stations (VHF or UHF), provided that those television stations operate in markets containing cumulatively no more than 25% of the television households in the country. For this purpose, ownership of a UHF station will result in the attribution of only 50% of the television households in the relevant market. The Company owns eight television stations, of which seven are VHF, resulting in a total penetration of the nation's television households, for purposes of the multiple ownership rules, of 24.4%. The Company also owns eleven AM and ten FM radio stations.

Furthermore, under the FCC's rules, radio and/or television licensees may not acquire new ownership interests in daily newspapers published in the same markets served by their broadcast stations; television licensees may not own cable television systems in communities within the service contours of their television stations; and a television network owner may not own a cable system. The Company presently owns daily newspapers in two markets in which it also holds radio licenses. For purposes of these rules, *The Oakland Press* and WJR and WHYT-FM, licensed to Detroit, are treated as in the same market, as are the *Fort Worth Star-Telegram* and WBAP and KSCS-FM, licensed to Fort Worth. Although these holdings are "grandfathered," under the rules these commonly owned broadcast/newspaper combinations could not be transferred together.

The FCC's rules generally provide that an entity will have the licensee's broadcast stations or newspapers attributed to it for purposes of the multiple ownership rules only if it holds the power to vote or control the vote of 5% or more of the stock of a licensee. Qualifying mutual funds, insurance companies, or bank trust departments may vote or control the vote of up to 10% of the stock of a broadcast licensee before the licensee's stations would be attributed to that entity.

Network Regulations

The Company's television network operations are subject to a consent decree (United States v. American Broadcasting Companies, Inc., 74-3600-RJK), in the United States District Court for the Central District of California, entered into and effective on November 14, 1980. The consent decree contains provisions which prohibit the acquisition of subsidiary rights and interests in television programs produced by independent suppliers and forbid the Company from engaging in the business of domestic syndication. These injunctive provisions of the consent judgment continue in perpetuity. In addition, the consent judgment contains provisions regulating for periods expiring in 1990 and 1995 certain aspects of the Company's contractual relationships with suppliers of entertainment programming and with talent performers and other creative contributors to ABC Television Network entertainment programming, and limiting the number of hours of entertainment programming produced by the Company which may be offered for broadcast by the ABC Television Network. Similar judgments have been entered against CBS Inc. and the National Broadcasting Company, Inc. with respect to their television networks.

ABC, CBS and NBC are also currently subject to FCC rules which restrict their ability to acquire financial interests in television programs or engage in program syndication. The network operated by Fox Broadcasting Company would be subject to these rules when it offered 15 or more hours of programming to its affiliates. Fox has recently filed a Petition with the FCC seeking resumption of a rulemaking proceeding examining these rules, and a waiver from the rules until the proceeding is concluded. The company has filed a Response opposing Fox's waiver request, but supporting resumption of the rulemaking proceeding. The Company is not able to predict the outcome of these proceedings. In addition, FCC rules effectively restrict the regular prime-time programming schedules of ABC, CBS, and NBC to three hours per night during the period 7:00 P.M. to 11:00 P.M., except for certain kinds of children's or informational programming other than on Saturday night. Fox's Petition also requests temporary relief from this restriction. The Company's Response opposes this aspect of Fox's request as well.

Radio Proceedings

In an action designed to increase the number of aural outlets, the FCC has initiated proceedings to expand the AM band to include new frequencies. This action would require, among other matters, some modifications of international treaties governing use of the radio spectrum. The FCC has also issued a notice of inquiry into a number of possible changes in the criteria used for making assignments in the AM band, one result of which has been an FCC proposal of rules facilitating interference reduction arrangements among stations. The Company is not able to predict the outcome or impact of these proceedings.

Cable Television and Other Competing Services

As previously noted (see "Competition" above), cable television can provide more competition to a television station by making additional signals available to the audience. In 1987, for the second time, the United States Court of Appeals for the District of Columbia Circuit ruled unconstitutional FCC rules which required cable television systems generally to carry the signals of television stations in whose service areas they operate. The ruling became final in 1988 when the Supreme Court declined to hear the case. There is now pending proposed legislation which would reinstitute the rules in some form, and a Notice of Inquiry designed to allow the FCC to evaluate the need for cable rate regulation, must-carry rules, divestiture or limitation of interests held by cable systems in cable program suppliers and national concentration of cable system ownership. The Company is not able to predict the outcome of this proposed legislation and these proceedings, which could have an impact on its broadcast stations as well as its cable services. Currently, cable television systems may decline to carry the signals of television stations in their service areas, including the signals of television stations owned by the Company or affiliated with its television network.

Most cable television systems supply additional programming to subscribers that is not originated on, or transmitted from, conventional television broadcasting stations. Many of these services (including ESPN, Arts & Entertainment and Lifetime) are also being distributed directly to viewers by means of satellite transmissions to home satellite reception dishes.

The FCC also authorizes broadcast subscription television services and multipoint distribution services ("MDS"), and has expanded the number of frequencies available for MDS by allocating two groups of four channels each for the so-called multi-channel MDS, to be awarded by lottery. It has recently begun proceedings proposing to facilitate MDS competition with cable systems. The FCC has authorized licensees in the Instructional Television Fixed Service to lease their excess capacity for commercial use, including subscription television service and has adopted rules facilitating direct broadcast satellite operations. It has also created a new service of low power television facilities to supplement existing conventional television broadcast service. The Company cannot predict the competitive effect of these services.

* * * * *

From time to time legislation may be introduced in Congress which, if enacted, might affect the Company's operations or its advertising revenues. Proceedings, investigations, hearings and studies are periodically conducted by Congressional committees and by the FCC and other government agencies with respect to problems and practices of, and conditions in, the broadcasting industry. The Company cannot generally predict whether new legislation or regulations may result from any such studies or hearings or the adverse impact, if any, upon the Company's operations which might result therefrom.

The information contained under this heading does not purport to be a complete summary of all the provisions of the Communications Act and the rules and regulations of the FCC thereunder, or of pending proposals for other regulation of broadcasting and related activities. For a complete statement of such provisions, reference is made to the Communications Act, and to such rules, regulations and pending proposals thereunder.

Publishing

The Company publishes newspapers and shopping guides, various specialized and business periodicals and books; provides research services and also distributes information from data bases. Following is a summary of the Company's historical operating performance, by type of publication for the last five years (000's omitted):

	1989	1988	1987	1986	1985
Inches of advertising					
Newspapers (a)	15,844	15,757	16,141	15,706	16,775
Specialized publications	3,525	3,729	3,766	3,914	2,691
Advertising revenue					
Newspapers—ROP	$290,545	$278,789	$270,905	$255,844	$257,244
Newspapers—inserts	44,694	43,523	35,997	32,849	28,093
Shopping guides	62,111	61,238	60,845	56,291	52,608
Specialized publications	310,169	305,665	312,508	311,593	179,071
Circulation revenue					
Newspapers	$ 82,582	$ 75,025	$ 70,686	$ 56,260	$ 51,418
Specialized publications	65,882	64,311	62,225	62,870	31,087
Other operating revenue					
Newspapers	$ 6,635	$ 5,218	$ 4,074	$ 3,603	$ 3,778
Shopping guides	4,337	5,024	5,120	7,508	11,902
Specialized publications					
Books/Music	104,711	100,909	99,504	102,413	2,314
Research services, data base and other	85,739	84,194	84,733	81,524	25,068
Total revenue					
Newspapers	$424,456	$402,555	$381,662	$348,556	$340,533
Shopping guides	66,448	66,262	65,965	63,799	64,510
Specialized publications	566,501	555,079	558,970	558,400	237,540
Paid circulation at year-end					
Newspapers (Mon.-Fri.)	891	908	941	933	935
Newspapers (Sun.)	930	915	900	856	830
Specialized publications	3.256	4,515	4,234	4,437	785

(a) Does not include inserts.

Daily Newspapers

The Company publishes ten daily newspapers in eight communities (six of which have Sunday editions). The daily newspapers and their paid circulation are as follows:

		Daily	Sunday
The Kansas City Times (a)	Morning	268,000	
The Kansas City Star (a)	Evening	169,000	415,000
Fort Worth Star-Telegram	Morning	158,000	323,000
Fort Worth Star-Telegram	Evening	96,000	
The Oakland Press (Pontiac, MI)	Evening	74,000	83,000
Belleville News-Democrat (Belleville, IL)	Morning	50,000	55,000
The Times Leader (Wilkes-Barre, PA)	Morning	49,000	54,000
Albany Democrat-Herald (Albany, OR)	Evening	21,000	
Milford Citizen (Milford, CT)	Evening	8,000	10,000
The Daily Tidings (Ashland, OR)	Evening	6,000	

(a) Effective March 1, 1990 the morning and evening editions will be merged into a single morning newspaper, *The Kansas City Star.*

Weekly Newspapers

The Company publishes weekly community newspapers in six states. The location by state, number of publications and aggregate circulation is set forth below:

State	Number of Publications	Aggregate Circulation
Connecticut	37	377,000
Illinois	11	57,000
Massachusetts	17	136,000
Michigan	3	24,000
Oregon	6	44,000
Rhode Island	3	34,000

Shopping Guides and Real Estate Magazines

The Company distributes shopping guides and real estate magazines in ten states. The location by state, number of publications and aggregate circulation is set forth below:

State	Number of Publications	Aggregate Circulation
California	6	1,720,000
Connecticut	6	173,000
Kansas	1	170,000
Massachusetts	10	170,000
Michigan	8	117,000
Missouri	1	132,000
Oregon	3	215,000
Pennsylvania	1	17,000
Rhode Island	1	20,000
Washington	2	312,000

Specialized Publications

The Specialized Publications Group, through Fairchild Publications, Institutional Investor, Practical Homeowner, and ABC Publishing, is engaged in gathering and publishing business news and ideas for industries covered by its various publications; in the publishing of consumer, special interest, trade and agricultural publications; and in research and data base services and inspirational communications. All of the publications are printed by outside printing contractors. Following are the significant publications and services:

Title	Frequency	Circulation
Fairchild Publications		
Newspapers		
American Metal Market	Daily	13,000
Automotive Electronics Journal	Biweekly	32,000*
Children's Business	Monthly	15,000*
Daily News Record	Daily	23,000
Electronic News	Weekly	73,000
Energy User News	Monthly	27,000
Financial Services Week	Biweekly	62,000*
Footwear News	Weekly	21,000
HFD—Retailing Home Furnishings	Weekly	31,000
Metalworking News	Weekly	79,000*
MIS Week	Weekly	126,000*
Multichannel News	Weekly	15,000
SportStyle	Biweekly	26,000*
Supermarket News	Weekly	55,000
W	Biweekly	239,000
Women's Wear Daily	Daily	62,000
Magazines		
Cablevision	Biweekly	13,000*
CED (Communications Engineering and Design)	Monthly	13,000*
Exposure	6 times per year	22,000
Heat Treating	Monthly	21,000*
Home Fashions	Monthly	9,000*
Iron Age/Metal Producers	Monthly	23,000*
M, The Civilized Man	Monthly	152,000
Metal Center News	Monthly	14,000*
Travel Agent	Weekly	53,000
Video Business	Weekly	40,000*
International Medical News Group		
Clinical Psychiatry News	Monthly	31,000*
Family Practice News	Semimonthly	76,000*
Internal Medicine News	Semimonthly	80,000*
Ob. Gyn. News	Semimonthly	31,000*
Pediatric News	Monthly	32,000*
Skin & Allergy News	Monthly	35,000*
Institutional Investor		
Domestic Edition	Monthly	108,000*
International Edition	Monthly	40,000*
Practical Homeowner	9 times per year	742,000

Title	Frequency	Circulation
ABC Publishing		
Consumer and Special Interest Publications		
COMPUTE!	Monthly	214,000
COMPUTE!'s Amiga Resource	Bimonthly	49,000
COMPUTE!'s Gazette	Monthly	129,000
COMPUTE!'s PC	Bimonthly	60,000
Los Angeles	Monthly	172,000
McCall's Needlework & Crafts	Bimonthly	500,000
Musical America	Bimonthly	28,000
Opus	Quarterly	16,000
Personal Publishing	Monthly	66,000
Schwann CD	Monthly	13,000
Trade Publications		
Assembly Engineering	Monthly	79,000*
Automotive Industries	Monthly	87,000*
Automotive Marketing	Monthly	27,000*
Commercial Carrier Journal	Monthly	80,000*
Decorative Products World	Bimonthly	30,000*
Distribution	Monthly	70,000*
Electronic Component News	Monthly	118,000*
Food Engineering North America	Monthly	60,000*
Food Engineering International	10 times per year	13,000*
Hardware Age	Monthly	71,000*
IMPO (Industrial Maintenance & Plant Operations)	Monthly	120,000*
Industrial Finishing	Monthly	37,000*
Industrial Safety & Hygiene News	Monthly	60,000*
IAN (Instrumentation & Automation News)	Monthly	118,000*
I&CS (Instrument & Control Systems)	Monthly	88,000*
Jewelers' Circular-Keystone	Monthly	37,000
Machine and Tool Blue Book	Monthly	95,000*
Manufacturing Systems	Monthly	115,000*
Motor Age	Monthly	139,000
Office Products Dealer	Monthly	32,000*
Outdoor Power Equipment	Monthly	15,000*
Owner Operator	9 times per year	92,000
Product Design and Development	Monthly	160,000*
Quality	Monthly	94,000*
Review of Optometry	Monthly	29,000

Title	Frequency	Circulation
Agricultural Publications		
Prairie Farmer	17 times per year	183,000
Wallaces Farmer	16 times per year	169,000*
Wisconsin Agriculturist	16 times per year	49,000
Dairy Herd Management	Monthly	106,000*
Farm Futures	13 times per year	200,000*
Farm Store Merchandising	Monthly	39,000*
Feedstuffs	Weekly	20,000
Garden Supply Retailer	10 times per year	42,000*
Hog Farm Management	Monthly	45,000*
Tack 'n Togs Merchandising	Monthly	21,000*

*All, or substantially all, controlled circulation.

Data Base Services

NILS Publishing Company and National Price Service, Inc. publish information on insurance laws and regulations and publish price and product information for items available to the electrical and plumbing trades.

Inspirational Communications

Word, Incorporated, a diversified religious and inspirational communications company, publishes bibles and other religious and inspirational books and materials; and produces and distributes records, tapes, sheet music, song books, films and instructional materials.

* * * * *

Certain operations within the Specialized Publications Group also publish philatelic magazines, books, visuals, directories and newsletters; conduct meetings and seminars; provide syndication, marketing and research services; and sell insurance products.

Competition

The Company's specialized publications operate in a highly competitive environment. In the Company's various news publishing activities, it competes with almost all other information media, including broadcast media, and this competition may become more intense as communications equipment is improved and new technologies are developed. Many metropolitan general newspapers and small-city or suburban papers carry business news. In addition to special magazines in the fields covered by the Company's specialized publications, competing general interest and consumer magazines and general news magazines publish substantial amounts of similar business material and deal with the same or related special interests or industries as those covered by the Company's publications. Nearly all of these publications seek to sell advertising space, and much of this effort is directly or indirectly competitive with the Company's specialized publications.

The Company's newspapers and shopping guides compete with other advertising media such as broadcasting stations, suburban and metropolitan newspapers, magazines and billboards. The Company's book publishing operations compete with other companies whose books deal with the same or related fields as those covered by the Company's titles. In most cases, there is also competition for acquisition of new book titles. In the religious and inspirational recording field, there is competition with others, not only to obtain the creative talent and music essential to the business, but also in the sale and distribution of the product.

Raw Materials

The primary raw materials used by the Company's Publishing Group are newsprint and other paper stock, which are purchased from paper merchants, paper mills and contract printers and are readily available from numerous suppliers.

Item 2. *Properties.*

The Company's headquarters building at 77 West 66th Street in New York City houses the corporate offices and the television network administrative staff, and is owned by the Company.

The principal executive and editorial offices of Fairchild Publications are located in New York City and are owned by the Company. The Company owns and leases additional publishing subsidiaries' executive, editorial and other offices and facilities in various cities. For leased properties, the leases expire on various dates through 2004. All of the premises occupied by the newspapers are owned by the Company.

The Company owns the ABC Television Center adjacent to the Company's headquarters building on West 66th Street and the ABC Radio Network studios at 125 West End Avenue in New York City. In Los Angeles, the Company owns the ABC Television Center. The Company leases the ABC Television Network offices in Los Angeles, the ABC News Bureau facility in Washington, D.C. and the computer facility in Hackensack, New Jersey, under leases expiring on various dates through 2034. The Company's broadcast operations and engineering facility and local television studios and offices in New York City are leased, but the Company has the right to acquire such properties for a nominal sum in 1997. The Company owns the majority of its other broadcast studios and offices and broadcast transmitter sites elsewhere, and those which it does not own are occupied under leases expiring on various dates through 2039.

Item 3. *Legal Proceedings.*

All litigation pending during 1989 was routine and incidental to the business of the Company.

Item 4. *Submission of Matters to a Vote of Security Holders.*

The information called for by this item is not applicable.

Executive Officers of the Company

Name	Age	Director since	Officer since	Title
Thomas S. Murphy	64	1957	1958	Chairman of the Board of Directors and Chief Executive Officer.
Daniel B. Burke	61	1967	1962	President, Chief Operating Officer and Director.
John B. Fairchild	63	1968	1968	Executive Vice President, Chairman and Chief Executive Officer of Fairchild Publications, and Director.
John B. Sias	63	1977	1975	Executive Vice President, President of ABC Television Network Group, and Director. Prior to 1986 he was Executive Vice President, President of Publishing Group, and Director.
Ronald J. Doerfler	48		1977	Senior Vice President and Chief Financial Officer.
Michael P. Mallardi	56		1986	Senior Vice President and President of Broadcast Group. Prior to 1986 he was Executive Vice President and Chief Financial Officer of American Broadcasting Companies, Inc.
Phillip J. Meek	52		1975	Senior Vice President and President of Publishing Group. Prior to 1986 he was President and Publisher of the *Fort Worth Star-Telegram*.
Stephen A. Weiswasser ..	49		1986	Senior Vice President and General Counsel. Prior to 1986 he was engaged in the practice of law as a partner in the law firm of Wilmer, Cutler & Pickering.
Allan J. Edelson	47		1981	Vice President and Controller.
David J. Vondrak	44		1986	Vice President and Treasurer. Prior to 1986 he was Vice President and Treasurer of American Broadcasting Companies, Inc.
Philip R. Farnsworth	48		1986	Secretary. From 1986 to 1988 he was Assistant Secretary. Prior to 1986 he was Assistant Secretary of American Broadcasting Companies, Inc.

There is no relationship by blood, marriage or adoption among the officers. All officers hold office at the pleasure of the Board of Directors.

PART II

Item 5. ***Market for the Registrant's Common Stock and Related Security Holder Matters.***

The information called for by this item is included on page 37 of the 1989 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. ***Selected Financial Data.***

The information called for by this item is included on pages 24 and 25 of the 1989 Annual Report to Shareholders and is incorporated herein by reference.

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

The information called for by this item is included on pages 18 through 23 of the 1989 Annual Report to Shareholders and is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data.***

The information called for by this item is included on pages 26 through 38 of the 1989 Annual Report to Shareholders and is incorporated herein by reference.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

The information called for by this item is not applicable.

PART III

Item 10. ***Directors and Executive Officers of the Registrant.***

Incorporated herein by reference to the Company's definitive Proxy Statement for the annual meeting of shareholders to be held on May 17, 1990. Information concerning the executive officers is included in Part 1, on page K-14.

Item 11. ***Executive Compensation.***

Incorporated herein by reference to the Company's definitive Proxy Statement for the annual meeting of shareholders to be held on May 17, 1990.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management.***

Incorporated herein by reference to the Company's definitive Proxy Statement for the annual meeting of shareholders to be held on May 17, 1990.

Item 13. ***Certain Relationships and Related Transactions.***

The information called for by this item is not applicable.

PART IV

Item 14. *Exhibits, Financial Statement Schedules and Reports on Form 8-K.*

(a) 1. Financial statements and financial statement schedules.

The financial statements and schedules listed in the accompanying index to the consolidated financial statements are filed as part of this annual report.

2. Exhibits.

The exhibits listed on the accompanying index to exhibits are filed as part of this annual report.

(b) Reports on Form 8-K.

A Form 8-K, dated December 15, 1989, was filed to report under Item 5 the declaration of a dividend of Preferred Share Purchase Rights.

CAPITAL CITIES/ABC,INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES COVERED BY REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

(Item 14(a) 1.)

All other schedules have been omitted since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements, including the notes thereto.

* * * * *

The consolidated financial statements of Capital Cities/ABC, Inc., listed in the above index which are included in the Annual Report to Shareholders for the year ended December 31, 1989, are hereby incorporated by reference. With the exception of the Items referred to in Items 1, 5, 6, 7 and 8, the 1989 Annual Report to Shareholders is not to be deemed filed as part of this report.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report on Form 10-K of Capital Cities/ABC, Inc. for the year ended December 31, 1989 of our report dated February 23, 1990, included in the 1989 Annual Report to Shareholders of Capital Cities/ABC, Inc.

We also consent to the addition of the financial statement schedules listed in the accompanying index to financial statements and financial statement schedules to the financial statements covered by our report dated February 28, 1990 incorporated herein by reference.

We also consent to the incorporation by reference in the Registration Statements Form S-8 No. 2-58945 for the registration of 630,067 shares of the Company's common stock, Form S-8 No. 2-59014 for the registration of 287,195 shares, Form S-8 No. 2-86863 for the registration of 300,000 shares, Form S-8 No. 33-2196 relating to the issuance of an indeterminate number of shares, Form S-8 No. 33-11806 for the registration of 200,000 shares, Form S-8 No. 33-16206 for the registration of 300,000 shares and Form S-8 No. 33-25918 for the registration of 200,000 shares, and in the related Prospectuses, of our above report.

ERNST & YOUNG

Ernst & Young

New York, New York
March 20, 1990

CAPITAL CITIES/ABC, INC.

INDEX TO EXHIBITS (Item 14 (a) 2.)

(3)(a) Restated Certificate of Incorporation of the Company, with amendments.

(3)(b) Current By-laws of the Company.

(4)(a) Capital Cities Communications, Inc. Standard Multiple-Series Indenture Provisions dated July 25, 1985. Incorporated by reference to Exhibit (4)(a) to Registration Statement No. 2-99204.

(4)(b) Form of Indenture, dated as of July 25, 1985, between the Company and Manufacturers Hanover Trust Company, as Trustee, with respect to the Senior Debt Securities. Incorporated by reference to Exhibit (4)(b) to Registration Statement No. 2-99204.

(4)(c) Form of Indenture, dated as of July 25, 1985, between the Company and Bankers Trust Company, as Trustee, with respect to the Subordinated Debt Securities. Incorporated by reference to Exhibit (4)(c) to Registration Statement No. 2-99204.

(4)(d) Revolving Credit Agreement, dated as of January 3, 1986, as amended and restated as of June 30, 1987, among the Company, Chemical Bank and certain other banks. Incorporated by reference to Exhibit (4)(d) to the Company's Annual Report on Form 10-K for 1987.

(4)(e) Second Amendment, dated as of June 30, 1989, to the Revolving Credit Agreement set forth in Exhibit (4)(d) above.

(4)(f) Capital Cities/ABC Finance Company, Inc. (Issuer) and Capital Cities/ABC, Inc. (Guarantor) Standard Multiple-Series Indenture Provisions, dated February 11, 1986. Incorporated by reference to Exhibit (4)(a) to Registration Statement No. 33-3236.

(4)(g) Indenture, dated as of February 11, 1986, between the Company, Guarantor, and Manufacturers Hanover Trust Company, as Trustee, with respect to the Senior Debt Securities. Incorporated by reference to Exhibit (4)(b) to Registration Statement No. 33-3236.

(4)(h) Indenture, dated as of February 11, 1986, between the Company, Guarantor, and Bankers Trust Company, as Trustee, with respect to the Subordinated Debt Securities. Incorporated by reference to Exhibit (4)(c) to Registration Statement No. 33-3236.

(4)(i) Note Purchase Agreement, dated November 15, 1985, between the Company and Metropolitan Life Insurance Company. Incorporated by reference to Exhibit C to the Company's Schedule 13D dated January 13, 1986.

(4)(j) Note Purchase Agreement, dated November 15, 1985, between the Company and Teachers Insurance and Annuity Association of America. Incorporated by reference to Exhibit D to the Company's Schedule 13D dated January 13, 1986.

(4)(k) Note Purchase Agreement, dated November 15, 1985, between the Company and Equitable Variable Life Insurance Company. Incorporated by reference to Exhibit E to the Company's Schedule 13D dated January 13, 1986.

(4)(l) Note Purchase Agreement, dated November 15, 1985, between the Company and The Equitable Life Assurance Society of the United States. Incorporated by reference to Exhibit F to the Company's Schedule 13D dated January 13, 1986.

(4)(m) Form of Senior Note and Guarantee issued in exchange for notes of equal principal amount and interest rate issued in connection with the Note Purchase Agreements referred to in Exhibits (4)(i) through (4)(l) above. Incorporated by reference to Exhibit (4)(c) to Registration Statement No. 33-5315.

(4)(n) Other instruments defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries are not being filed since the total amount of securities authorized under any of such instruments does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

(4)(o) Rights Agreement, dated December 14, 1989, between the Company and Harris Trust Company of New York with respect to the Preferred Share Purchase Rights. Incorporated by reference to Exhibit 1 to the Company's Form 8-K dated December 15,1989.

(10)(a) Stock Purchase Agreement between the Company and Berkshire Hathaway Inc., dated March 18, 1985. Incorporated by reference to Appendix B to the Company's and American Broadcasting Companies, Inc.'s Joint Proxy Statement-Prospectus dated May 10, 1985.

(10)(b) Stock Purchase Agreement among the Company, Berkshire Hathaway Inc., National Indemnity Company, National Fire and Marine Insurance Company, Columbia Insurance Company, Nebraska Furniture Mart, Inc. and Cornhusker Casualty Company, dated January 2, 1986. Incorporated by reference to Exhibit A to the Schedule 13D dated January 8, 1986 filed by Berkshire Hathaway Inc. and others in regard to the Company's common stock.

(13) The Company's 1989 Annual Report to Shareholders. (This report, except for the portions thereof which are incorporated by reference in this Form 10-K, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K.)

(22) Subsidiaries of the Company.

(28)(a) Form 11-K for the Capital Cities/ABC, Inc. Savings & Investment Plan for the year ended December 31, 1989.

(28)(b) Undertakings.

CAPITAL CITIES/ABC, INC.

PROPERTY, PLANT AND EQUIPMENT—SCHEDULE V
(Thousands of Dollars)

	Balance at beginning of period	Operating companies acquired	Additions at cost	Retire-ments or sales	Other changes—reclassifi-cations(a)	Balance at close of period
Year ended December 31, 1989:						
Land and improvements	$ 399,400	$ 447	$ 1,582	$ (764)		$ 400,665
Buildings and improvements	495,313	1,562	90,399	(3,764)		583,510
Broadcasting equipment	360,948	1,669	44,502	(9,194)		397,925
Printing machinery and equipment	151,479	1,044	15,721	(5,877)		162,367
Other, including construction-in-progress	165,174	495	41,338	(7,707)		199,300
	$1,572,314	$5,217	$193,542	$(27,306)		$1,743,767
Year ended January 1, 1989:						
Land and improvements	$ 395,097	$ 22	$ 3,245	$ (67)	$ 1,103	$ 399,400
Buildings and improvements	459,766	150	35,603	(153)	(53)	495,313
Broadcasting equipment	307,756		55,185	(4,523)	2,530	360,948
Printing machinery and equipment	148,604	271	7,488	(4,220)	(664)	151,479
Other, including construction-in-progress	113,325	40	51,892	(1,531)	1,448	165,174
	$1,424,548	$ 483	$153,413	$(10,494)	$ 4,364	$1,572,314
Year ended January 3, 1988:						
Land and improvements	$ 383,038	$ 299	$ 13,059	$(11,004)	$ 9,705	$ 395,097
Buildings and improvements	422,031	334	46,786	(11,665)	2,280	459,766
Broadcasting equipment	272,878	865	33,875	(4,488)	4,626	307,756
Printing machinery and equipment	168,535	419	5,896	(13,493)	(12,753)	148,604
Other, including construction-in-progress	96,897	315	16,693	(1,741)	1,161	113,325
	$1,343,379	$2,232	$116,309	$(42,391)	$ 5,019	$1,424,548

(a) Represents in 1988, final adjustments to the purchase price allocation of the 1987 acquisition of radio stations KRXY-AM/FM and the 1986 acquisition of American Broadcasting Companies, Inc. (ABC). In 1987, represents adjustments of the purchase price allocation of the acquisition of ABC.

VALUATION AND QUALIFYING ACCOUNTS—SCHEDULE VIII
(Thousands of Dollars)

		Additions		Deductions		
	Balance at beginning of period	Operating companies acquired	Charged to expense	Operating companies disposed	Accounts written-off, net	Balance at close of period
Deducted from accounts and notes receivable:						
Year ended December 31, 1989	$37,702	$235	$53,619		$(55,421)	$36,135
Year ended January 1, 1989	37,798	444	51,924	$(91)	(52,373)	37,702
Year ended January 3, 1988	32,764		58,777		(53,743)	37,798

CAPITAL CITIES/ABC, INC.

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT—SCHEDULE VI

(Thousands of Dollars)

	Balance at beginning of period	Charged to expense	Retire-ments or sales	Other changes—reclassifi-cations(a)	Balance at close of period
Year ended December 31, 1989:					
Land improvements	$ 1,667	$ 391			$ 2,058
Buildings and improvements	83,951	22,070	$ (2,286)		103,735
Broadcasting equipment	183,016	50,509	(6,711)		226,814
Printing machinery and equipment	73,952	12,073	(5,374)		80,651
Other	33,847	8,922	(4,426)		38,343
	$ 376,433	$ 93,965	$ (18,797)		$ 451,601
Year ended January 1, 1989:					
Land improvements	$ 1,299	$ 381	$ (13)		$ 1,667
Buildings and improvements	63,702	20,370	(99)	$ (22)	83,951
Broadcasting equipment	131,380	54,068	(3,798)	1,366	183,016
Printing machinery and equipment	65,482	12,067	(3,327)	(270)	73,952
Other	25,552	8,819	(1,080)	556	33,847
	$ 287,415	$ 95,705	$ (8,317)	$ 1,630	$ 376,433
Year ended January 3, 1988:					
Land improvements	$ 927	$ 375		$ (3)	$ 1,299
Buildings and improvements	46,261	19,752	$ (1,695)	(616)	63,702
Broadcasting equipment	71,761	52,733	(2,557)	9,443	131,380
Printing machinery and equipment	69,272	12,303	(12,936)	(3,157)	65,482
Other	18,586	7,737	(1,470)	699	25,552
	$ 206,807	$ 92,900	$ (18,658)	$ 6,366	$ 287,415

(a) Represents in 1988 and 1987, final adjustments to the purchase price allocation of the 1986 acquisition of American Broadcasting Companies, Inc.

Depreciation is computed on the straight-line method over the following estimated useful lives: buildings and improvements—10 to 55 years; broadcasting equipment—4 to 20 years; printing machinery and equipment—5 to 20 years.

SUPPLEMENTARY INCOME STATEMENT INFORMATION—SCHEDULE X

(Thousands of Dollars)

	Royalties	Advertising costs
Year ended December 31, 1989	$ 59,156	$ 131,290
Year ended January 1, 1989	56,061	115,337
Year ended January 3, 1988	49,961	111,511

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITIES/ABC, INC.
(Registrant)

/s/ THOMAS S. MURPHY
(Thomas S. Murphy)
Chairman of the Board March 20, 1990

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

Principal Executive Officer:

/s/ THOMAS S. MURPHY
(Thomas S. Murphy) March 20, 1990

Principal Financial Officer:

/s/ RONALD J. DOERFLER
(Ronald J. Doerfler) March 20, 1990

Controller:

/s/ ALLAN J. EDELSON
(Allan J. Edelson) March 20, 1990

Directors:

/s/ ROBERT P. BAUMAN
(Robert P. Bauman) March 20, 1990

/s/ WARREN E. BUFFETT
(Warren E. Buffett) March 20, 1990

/s/ DANIEL B. BURKE
(Daniel B. Burke) March 20, 1990

/s/ FRANK T. CARY
(Frank T. Cary) March 20, 1990

/s/ JOHN B. FAIRCHILD
(John B. Fairchild) March 20, 1990

/s/ LEONARD H. GOLDENSON
(Leonard H. Goldenson) March 20, 1990

/s/ GEORGE P. JENKINS
(George P. Jenkins) March 20, 1990

/s/ FRANK S. JONES
(Frank S. Jones) March 20, 1990

/s/ ANN DIBBLE JORDAN
(Ann Dibble Jordan) March 20, 1990

/s/ THOMAS M. MACIOCE
(Thomas M. Macioce) March 20, 1990

/s/ JOHN H. MULLER, JR.
(John H. Muller, Jr.) March 20, 1990

/s/ THOMAS S. MURPHY
(Thomas S. Murphy) March 20, 1990

/s/ JOHN B. SIAS
(John B. Sias) March 20, 1990

/s/ WILLIAM I. SPENCER
(William I. Spencer) March 20, 1990

/s/ M. CABELL WOODWARD, JR.
(M. Cabell Woodward, Jr.) March 20, 1990

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITIES/ABC, INC.
(Registrant)

(Thomas S. Murphy)
Chairman of the Board

March 20, 1990

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

Principal Executive Officer:

(Thomas S. Murphy) March 20, 1990

Principal Financial Officer:

(Ronald J. Doerfler) March 20, 1990

Controller:

(Allan J. Edelson) March 20, 1990

Directors:

(Robert P. Bauman) March 20, 1990

(Warren E. Buffett) March 20, 1990

(Daniel B. Burke) March 20, 1990

(Frank T. Cary) March 20, 1990

(John B. Fairchild) March 20, 1990

(Leonard H. Goldenson) March 20, 1990

(George P. Jenkins) March 20, 1990

(Frank S. Jones) March 20, 1990

(Ann Dibble Jordan) March 20, 1990

(Thomas M. Macioce) March 20, 1990

(John H. Muller, Jr.) March 20, 1990

(Thomas S. Murphy) March 20, 1990

(John B. Sias) March 20, 1990

(William I. Spencer) March 20, 1990

(M. Cabell Woodward, Jr.) March 20, 1990

RESTATED CERTIFICATE OF INCORPORATION
OF CAPITAL CITIES/ABC, INC.
Under § 807 of the Business Corporation Law

Pursuant to the provisions of Section 807 of the Business Corporation Law, the undersigned, being the Senior Vice President and Assistant Secretary of Capital Cities/ABC, Inc., do hereby certify as follows:

FIRST: The name of the corporation is Capital Cities/ABC, Inc. The name under which the corporation was incorporated is Hudson Valley Broadcasting Company, Inc. Pursuant to a Certificate of Consolidation filed under Section 91 of the Stock Corporation Law, on October 22, 1957, the name of the corporation was changed to Capitol Cities Television Corporation. Pursuant to a Certificate of Change of Name, filed on December 23, 1959, the name of the corporation was changed to Capital Cities Broadcasting Corporation. The name of the corporation was changed further pursuant to a Certificate of Amendment, filed on May 4, 1973, to Capital Cities Communications, Inc. The name of the corporation was changed pursuant to a Certificate of Amendment, filed on January 3, 1986, to its present name, Capital Cities/ABC, Inc.

SECOND: The Certificate of Incorporation of the corporation was filed by the Department of State under the name Hudson Valley Broadcasting Company, Inc. on April 5, 1946 and a Certificate of Consolidation was filed by the Department of State as aforesaid on October 22, 1957. A Restated Certificate of Incorporation of Capital Cities Broadcasting Corporation ("Restated Certificate of Incorporation") was filed by the Department of State on May 16, 1968.

THIRD: The text of the Certificate of Incorporation as heretofore amended, is hereby restated, without any amendment or change, to read as herein set forth in full:

1. The name of the Corporation is Capital Cities/ABC, Inc.

2. The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the Business Corporation Law, provided however, that the Corporation is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency, or other body without first obtaining the consent of such body.

3.A. Authorized Shares. The aggregate number of shares which the Corporation shall have authority to issue is 84,000,000 of which 4,000,000 shares shall be without par value and shall be designated Preferred Stock, and 80,000,000 shares shall be with a par value of $1 per share and shall be designated Common Stock.

B. Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series as may be determined from time to time by the Board of Directors. Except in respect of the particulars to be fixed by the Board of Directors as provided below, all shares of Preferred Stock shall be of equal rank. All shares in any one series of Preferred Stock shall be alike in every particular except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative. The voting rights, if any, of each such series and the preferences and relative, participating, optional and other special rights of each series and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series. The Board of Directors shall have the authority to fix by resolutions duly adopted prior to the issuance of any shares of a particular series of Preferred Stock designated by the Board of Directors, the voting rights, if any, of the holders of shares of such series and the designations, preferences and relative, participating, optional and other special rights of each series and the qualifications, limitations and restrictions thereof.

Without limiting the generality of the foregoing authority of the Board of Directors, the Board of Directors from time to time may:

(a) establish and designate a series of Preferred Stock, which may be distinguished by number, letter or title from other Preferred Stock of the Corporation or any series thereof;

(b) fix and thereafter increase or decrease (but not below the number of shares thereof then outstanding) the number of shares that shall constitute such series;

(c) provide for dividends on shares of such series and, if provision is made for dividends, determine the dividend rate and the dates on which dividends, if declared, shall be payable, whether the dividends shall be cumulative and, if cumulative, for what date or dates dividends shall accrue, and the other conditions, if any, including rights of priority, if any, upon which the dividends shall be paid;

(d) provide as to whether the shares of such series shall be redeemable, and if redeemable, the terms, limitations and restrictions with respect to such redemption, including without limitation, the manner of selecting shares for redemption if less than all shares are to be redeemed, the time or times and the price or prices at which the shares of such series shall be subject to redemption, in whole or in part, and the amount, if any, in addition to any accrued dividends thereon which the holders of shares of any series shall be entitled to receive upon the redemption thereof, which amount may vary at different redemption dates and may be different with respect to shares redeemed through the operation of any purchase, retirement or sinking fund and with respect to shares otherwise redeemed;

(e) fix the amount, in addition to any accrued dividends thereon, which the holders of shares of such series shall be entitled to receive upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, which amount may vary at different dates and may vary depending on whether such liquidation, dissolution or winding up is voluntary or involuntary, and to determine any other rights, if any, to which holders of the shares of such series shall be entitled in the event of any liquidation, dissolution or winding up of the Corporation;

(f) establish whether the shares of such series shall be subject to the operation of a purchase, retirement or sinking fund and, if so, the terms, limitations and restrictions with respect thereto, including without limitation, whether such purchase, retirement or sinking fund shall be cumulative or noncumulative, the extent to and the manner in which such funds shall be applied to the purchase, retirement or redemption of the shares of such series for retirement or to other corporate purposes and the terms and provisions relative to the operation thereof;

(g) determine the extent of the voting rights, if any, of the shares of such series and determine whether the shares of such series having voting rights shall have multiple votes per share;

(h) provide whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes of capital stock of the Corporation, including Common Stock, Preferred Stock or of any series thereof, and if convertible or exchangeable, establish the conversion or exchange price or rate, the adjustments thereof, and the other terms and conditions, if any, on which such shares shall be convertible or exchangeable; and

(i) provide for any other preferences, any relative participating, optional or other special rights, any qualifications, limitations or restrictions thereof, or any other term or provision of shares of such series as the Board of Directors may deem appropriate or desirable.

Shares of Preferred Stock may be issued by the Corporation for such consideration as is determined by the Board of Directors.

C. Common Stock. Subject to the preferential dividend rights applicable to shares of any series of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends as may be declared by the Board of Directors. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after distribution in full of the preferential amounts to be distributed to the holders of shares of the

Preferred Stock, the holders of shares of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its shareholders, ratably in proportion to the number of shares of the Common Stock held by them. Except as otherwise provided in paragraph B of this Article 3, the holders of shares of Common Stock shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation and shall be entitled to one vote for each share of Common Stock entitled to vote at such meeting.

Shares of Common Stock may be issued by the Board of Directors for such consideration, having a value of not less than the par value thereof, as is determined by the Board of Directors.

D. Restrictions Upon Voting Rights of Aliens. Any provisions herein to the contrary notwithstanding, except as otherwise provided by law, not more than twenty percent of the aggregate number of shares outstanding entitled to vote on any matter shall at any time be voted by or for the account of aliens or their representatives, or by or for the account of a foreign government or representative thereof, or by or for the account of any corporation organized under the laws of a foreign country.

The Board of Directors shall make such rules and regulations as it shall deem necessary or appropriate to enforce the provisions of this paragraph D.

E. Transfer of Shares to Aliens. Except as otherwise provided by law, not more than twenty percent of the aggregate number of shares of voting stock outstanding shall at any time be owned of record by or for the account of aliens or their representatives or by or for the account of a foreign government or representative thereof, or by or for the account of any corporation organized under the laws of a foreign country.

Shares of stock shall be transferable on the books of the Corporation to aliens and their representatives, foreign governments and representatives thereof, and corporations organized under the laws of foreign countries, or to any persons holding for the account of aliens and their representatives, foreign governments and representatives thereof, and corporations organized under the laws of foreign countries, only, if after giving effect to such transfer, the aggregate number of shares of stock owned by or for the account of aliens and their representatives, foreign governments and representatives thereof, and corporations organized under the laws of foreign countries, would be not more than twenty percent of the number of shares of voting stock then outstanding.

The Board of Directors shall make such rules and regulations as it shall deem necessary or appropriate to enforce the foregoing provisions of this paragraph E.

4. Neither the holders of the shares of the Common Stock nor the holders of the shares of the Preferred Stock shall have preemptive rights to purchase any shares of stock of any class or any other securities of the Corporation.

5. The office of the Corporation is to be located in the City of New York, County of New York, State of New York. The address to which the Secretary of State shall mail a copy of process in any action or proceeding against the Corporation which may be served on him is: c/o Gerald Dickler, 460 Park Avenue, New York, New York 10022.

6. The Secretary of State of the State of New York is hereby designated as the agent of the Corporation upon whom process in any action or proceeding against it may be served.

7. The duration of the Corporation shall be perpetual.

8. The business and property of the Corporation shall be managed by a Board of not fewer than seven nor more than 21 directors who shall be elected by the shareholders, except as otherwise provided in the By-laws of the Corporation. Directors need not be shareholders.

9. The Board of Directors of the Corporation shall have power by vote of the majority of all the directors and without the assent of the shareholdlers to make, alter, amend and rescind the By-laws of the Corporation.

<u>FOURTH</u>: The manner in which the aforesaid restated Certificate of Incorporation was authorized was by the unanimous written consent of all of the members of the Executive Committee of the Board of Directors of the Corporation.

IN WITNESS WHEREOF, the undersigned have hereunto signed this certificate, this 3rd day of January, 1986, and affirm that the statements made herein are true under penalty of perjury.

Ronald J. Doerfler, Senior Vice President

Allan J. Edelson, Assistant Secretary

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CERTIFICATE OF AMENDMENT

OF THE

CERTIFICATE OF INCORPORATION

OF

CAPITAL CITIES/ABC, INC.

UNDER SECTION 805 OF THE BUSINESS CORPORATION LAW

Pursuant to the provisions of Section 805 of the Business Corporation Law, the undersigned hereby certify:

First: The name of the Corporation is Capital Cities/ABC, Inc. The name under which it was formed is Hudson Valley Broadcasting Company, Inc.

Second: The Certificate of Incorporation was filed by the Department of State on April 5, 1946.

Third: The Certificate of Incorporation is hereby amended to add an Article 10 to provide for the elimination of personal liability of directors under certain circumstances.

Fourth: To effect the amendment set forth in Article Third of this Certificate of Amendment, the following Article 10 is hereby added to the Certificate of Incorporation:

> "10. No director of the Corporation shall be personally liable to the Corporation or any of its shareholders for monetary damages for breach of duty as a director, except in a case where a court of competent jurisdiction finds that the acts or omissions that are the subject of the cause of action were (1) taken in bad faith, or (2) involved intentional misconduct or a knowing violation of law, or (3) that the director personally obtained a financial profit or other advantage to which the director was not legally entitled, or (4) that the director's actions violated Section 719 of the New York Business Corporation Law. Any repeal or modification of this Article 10 shall be prospective only, and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification."

Fifth: The foregoing amendment of the Certificate of Incorporation was authorized by vote of the holders of a majority of all outstanding shares entitled to vote on such amendment at the Annual Meeting of Shareholders duly held on May 19, 1988, subsequent to authorization by the Board of Directors.

IN WITNESS WHEREOF, this certificate has been signed this 20th day of May, 1988, and we affirm the statements contained therein as true under penalties of perjury.

Stephen A. Weiswasser, Senior Vice
President and General Counsel

Philip R. Farnsworth, Secretary

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CERTIFICATE OF CHANGE

OF

CAPITAL CITIES/ABC, INC.

UNDER SECTION 805-A OF THE BUSINESS CORPORATION LAW

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WE, THE UNDERSIGNED, Stephen A. Weiswasser and Philip R. Farnsworth, being respectively the Senior Vice President and General Counsel and the Secretary of Capital Cities/ABC, Inc. hereby certify:

1. The name of the Corporation is Capital Cities/ABC, Inc. It was incorporated under the name Hudson Valley Broadcasting Company, Inc.

2. The Certificate of Incorporation of said Corporation was filed by the Department of State on April 5, 1946.

3. The following was authorized by the Executive Committee of the Board of Directors:

To change the post office address to which the Secretary of State shall mail a copy of process in any action or proceeding against the Corporation which may be served on him from c/o Gerald Dickler, 460 Park Avenue, New York, New York 10022, to 1330 Avenue of the Americas, New York, New York 10019, Attention: Secretary.

IN WITNESS WHEREOF, we have signed this certificate on the 23rd day of May, 1988 and we affirm the statements contained therein as true under penalties of perjury.

Stephen A. Weiswasser, Senior Vice President and General Counsel

Philip R. Farnsworth, Secretary

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CERTIFICATE OF CHANGE

OF

CAPITAL CITIES/ABC, INC.

UNDER SECTION 805-A OF THE BUSINESS CORPORATION LAW

WE, THE UNDERSIGNED, Stephen A. Weiswasser and Philip R. Farnsworth, being respectively the Senior Vice President and General Counsel and the Secretary of Capital Cities/ABC, Inc., hereby certify:

1. The name of the Corporation is Capital Cities/ABC, Inc. It was incorporated under the name Hudson Valley Broadcasting Company, Inc.

2. The Certificate of Incorporation was filed by the Department of State on April 5, 1946.

3. The following was authorized by the Executive Committee of the Board of Directors:

To change the post office address to which the Secretary of State shall mail a copy of process in any action or proceeding against the Corporation which may be served on him from 1330 Avenue of the Americas, New York, New York 10019, Attention: Secretary to 77 West 66th Street, New York, New York 10023-6298, Attention: Secretary.

IN WITNESS WHEREOF, we have signed this certificate on the 15th day of February, 1989 and we affirm the statements contained therein are true under penalties of perjury.

Stephen A. Weiswasser, Senior Vice President and General Counsel

Philip R. Farnsworth, Secretary

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CERTIFICATE OF AMENDMENT

OF THE

CERTIFICATE OF INCORPORATION

OF

CAPITAL CITIES/ABC, INC.

Under Section 805 of the New York
Business Corporation Law

Pursuant to the provisions of Section 805 of the Business Corporation Law, the undersigned hereby certify:

1. The name of the Corporation is Capital Cities/ABC, Inc. The name under which the Corporation was incorporated is Hudson Valley Broadcasting Company, Inc., which name was changed to Capital Cities Television Corporation on October 22, 1957, then changed to Capital Cities Broadcasting Corporation on December 23, 1959, then changed to Capital Cities Communications, Inc. on May 4, 1973 and then changed to Capital Cities/ABC, Inc. on January 3, 1986.

2. The Certificate of Incorporation of the Corporation was filed by the Department of State under the name Hudson Valley Broadcasting Company, Inc. on April 5, 1946 and a Certificate of Consolidation was filed by the Department of State as aforesaid on October 22, 1957. A Restated Certificate of Incorporation of Capital Cities Broadcasting Corporation was filed by the Department of State on May 16, 1968 and a Restated Certificate of Incorporation of Capital Cities/ABC, Inc. was filed by the Department of State on January 6, 1986.

3. The Certificate of Incorporation of the Corporation is hereby amended by the addition of the following provision stating the number, designations, relative rights, preferences and limitations of a series of Preferred Stock of the Corporation, designated as Series A Preferred Stock, as fixed by the Board of Directors of the Corporation pursuant to the authority vested in it by the Certificate of Incorporation of the Corporation:

Series A Preferred Stock:

Section 1. <u>Designation and Amount</u>. The shares of such series shall be designated as "Series A Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 250,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; <u>provided</u>, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. <u>Dividends and Distributions</u>.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking on a parity with the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $1.00 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Amendment creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Amendment creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

The foregoing amendment to the Certificate of Incorporation was authorized by the Board of Directors of the Corporation, pursuant to the authority vested in it by the Certificate of Incorporation of the Corporation and Section 502 of the New York Business Corporation Law, at a meeting of the Board duly held on the 14th day of December, 1989.

IN WITNESS WHEREOF, the undersigned have hereunto signed this Certificate of Amendment on behalf of the Corporation this 13th day of March, 1990, and affirm that the statements made herein are true under penalties of perjury.

/s/ Ronald J. Doerfler
Ronald J. Doerfler
Senior Vice President
and Chief Financial Officer

/s/ Philip R. Farnsworth
Philip R. Farnsworth
Secretary

Restated as of April 19, 1985
and thereafter as amended
through December 14, 1989

CAPITAL CITIES/ABC, INC.

BY-LAWS

ARTICLE I

Offices

Section 1. The principal office of the Corporation shall be located in the City of New York, State of New York.

Section 2. Other offices for the transaction of business shall be located at such place as the Board of Directors may from time to time determine.

ARTICLE II

Capital Stock

Section 1. All certificates of stock shall be signed by the Chairman of the Board or the President and the Secretary, and shall be sealed with the Corporate Seal.

Section 2. Treasury stock shall be held by the Corporation subject to reissuance at the direction of the Board of Directors, and shall neither vote nor participate in dividends.

Section 3. The Corporation shall have a first lien on all shares of its capital stock, and upon all dividends declared upon the same, for any indebtedness of the respective shareholders thereof to the Corporation.

Section 4. Transfers of any stock may be made and old certificates, properly endorsed, shall be surrendered and cancelled before a new certificate is issued. The stock transfer books shall not be closed before the date on which a dividend is declared, the Board of Directors in its discretion fixing a record date upon which the transfer agent shall, without actually closing the books for the transfer of stock, take a record of all shareholders entitled to the dividend.

Section 5. In case of loss or destruction of a certificate of stock, no new certificate shall be issued in lieu thereof except upon satisfactory proof to the Board of Directors of such loss or destruction, and upon such conditions as it may impose; except that upon the giving of satisfactory security by bond or otherwise against loss to the Corporation, a new certificate may be issued upon written authorization of the Chairman of the Board, the President, Secretary or Treasurer of the Corporation.

ARTICLE III

Meetings of Shareholders

Section 1. The Annual Meeting of Shareholders shall be held on any business day during the month of May in each year at the principal office of the Corporation, or at such other place in the United States as the Board of Directors shall designate. Any such meeting may be adjourned or postponed by the Board of Directors, by the Executive Committee of the Board or by such officer or officers as the Board or the Executive Committee shall designate, to any date or dates after May 31 in such year as the Board, the Executive Committee or their designee or designees shall select. At such meeting, the shareholders shall elect directors to serve until their successors be elected and qualified and shall conduct such other business as may come before the meeting.

Section 2. A Special Meeting of the Shareholders to be held at such place as if called as an Annual Meeting, may be called at any time by the Chairman of the Board, or in his absence by the President or by the Board of Directors.

Section 3. For the purpose of determining the shareholders entitled to notice of or to vote at any Annual or Special Meeting of Shareholders or any adjournment thereof, or for the purpose of any other action, the Executive Committee shall fix, in advance, a date as the record date for any such determination of shareholders. Notice of the time and place of Annual or Special Meetings shall be mailed at least 10 days before the date of such Annual or Special Meeting by the Secretary of the Corporation to each shareholder of record on the date as determined by the Executive Committee.

Section 4. The Chairman of the Board (or in his absence, the President or an Executive Vice President) shall preside at all such meetings.

Section 5. At every such Annual or Special Meeting each shareholder shall be entitled to cast one vote for each share of voting capital stock held in his name; which vote may be cast by him either in person or by proxy. All proxies may be in writing and shall be filed with the Secretary and entered of record by the Secretary in the minutes of the meeting.

Section 6. A quorum for the transaction of business at any such meeting shall consist of a number of persons representing a majority of the shares of voting capital stock issued and outstanding; but the shareholders present at any meeting though less than a quorum may adjourn the meeting to a future date.

Section 7. Only persons who are nominated in accordance with the procedures set forth in the By-laws shall be eligible to serve as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of shareholders (a) by or at the direction of the Board of Directors or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 7, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section 7. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 40 days nor more than 70 days prior to the meeting; provided, however, that (i) in the case of the Corporation's 1990

Annual Meeting of Shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the date on which the notice of such meeting shall be mailed by the Corporation and (ii) with respect to all other meetings, in the event that less than 50 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting or such public disclosure was made.

Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director (i) the name, age, business address and residence address of such nominee, (ii) the principal occupation or employment of such nominee, (iii) the class and number of shares of the Corporation which are beneficially owned by such nominee and (iv) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee.

No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 7. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the By-laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Notwithstanding the foregoing provisions of this Section 7, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

Section 8. At any meeting of the shareholders, only such business shall be conducted as shall have been brought before the meeting (a) by or at the direction of the Board of Directors or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of the notice provided for in this Section 8, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 8. For business to be properly brought before a shareholder meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 40 days nor more than 70 days prior to the meeting; provided, however, that (i) in the case of the Corporation's 1990 Annual Meeting of Shareholders, notice by the shareholders to be timely must be so received not later than the close of business on the 10th day following the date on which the notice of such meeting shall be mailed by the Corporation and (ii) with respect to all other meetings, in the event that less than 50 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be received no later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made.

A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the shareholder and (d) any material interest of the shareholder in such business.

Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at a shareholders meeting except in accordance with the procedures set forth in this Section 8. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of the By-laws, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Notwithstanding the foregoing provisions of this Section 8, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

ARTICLE IV

Directors

Section 1. The business, property and affairs of the Corporation shall be managed by a Board of Directors. The number of members of the Board of Directors of the Corporation shall be established from time to time by the Board of Directors; provided the number thereof shall be consistent with the number required by the Certificate of Incorporation. Directors need not be shareholders.

Section 2. The Directors shall be elected by shareholders at the Annual Meeting and shall hold office for one year or until their successors shall have been duly elected and qualified. Notwithstanding the aforesaid, the Board of Directors, by a vote of a majority of its members at a duly constituted meeting, shall have the right to increase the membership of the Board, subject to the limitation in number provided in Section 1 of ARTICLE IV. Unless a majority of the members of the Board waives the applicable limitation in a given case: (1) any person who was not a Director on March 17, 1987 and who shall have attained the age of 72 as of the date of an Annual Meeting shall be ineligible for election or re-election as a Director; and (2) any person who was a Director on March 17, 1987 and who shall have attained the age of 75 as of the date of an Annual Meeting shall be ineligible for re-election as a Director.

Section 3. Regular meetings of the Board of Directors shall be held at such date and time, and in such place within or outside of the State of New York, as the Chairman of the Board may designate in the notice of meeting. Such meetings should be held quarterly.

Section 4. Special meetings of the Board of Directors shall be held at such date and time, and in such place within or outside of the State of New York, as may be designated in the notice of such meeting by the person or persons calling the meeting, who may be the Chairman of the Board or the President or, in the absence of the foregoing, not less than one-third of the members of the Board. By unanimous consent of the Directors, special meetings of the Board may be held without notice, at any time and place.

Section 5. Notice of all regular and special meetings of the Board of Directors, except those specified in the second sentence of Section 4 of ARTICLE IV, shall be mailed to each Director by the Secretary, at least three days previous to the time fixed for the meeting. All notices of special meetings shall state the purpose thereof.

Section 6. A quorum for the transaction of business at any regular or special meeting of the Board of Directors shall consist of a majority of the members of the Board of Directors except that the Directors present at any such meeting shall have the power to adjourn the meeting to a future date; and no business of the Corporation shall be transacted except by a majority vote of the full Board of Directors at any such regular or special meeting of the Directors, or any adjournment thereof.

Section 7. The Directors shall elect the officers of the Corporation and fix their salaries; such election to be held at the meeting of the Board of Directors following each Annual Meeting of Shareholders.

Section 8. Any vacancy in the Board of Directors occurring by reason of an increase in the number of Directors pursuant to Section 2 of ARTICLE IV, or by reason of death, resignation, disqualification or for any other reason, shall be filled for the unexpired portion of the term by a majority vote of the remaining Directors at any regular or special meeting of the Board of Directors.

Section 9. Between the meetings of the Board, the powers of the Board shall be exercised by an Executive Committee of not less than three members appointed by a majority of the Board at any meeting at which a quorum is present. The Executive Committee shall meet at such intervals as the Board by resolution may determine, and the Executive Committee shall be permitted to take any action required or permitted to be taken by the Executive Committee if all members of the Executive Committee consent in writing to the adoption of a resolution authorizing the action.

Section 10. Any one or more members of the Board or any Committee thereof may participate in a meeting of such Board or Committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear and communicate with one another at the same time. Participation by such means shall constitute presence in person at any such meeting.

Section 11. The Board, by resolutions adopted by a majority of the entire Board, may designate from among its members one or more Committees (in addition to the Executive Committee as provided in Section 9 of ARTICLE IV) each of which shall consist of three or more Directors, and to the extent provided in such resolution, shall have all authority of the Board with respect to the matters set forth therein.

Section 12. At each Annual Meeting of Shareholders the

Directors shall submit a statement of the business transacted during the preceding year, together with a report of the general financial condition of the Corporation and of the condition of its tangible property.

ARTICLE V

Officers

Section 1. The officers of this Corporation shall be a Chairman of the Board, a President, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Controller, a Secretary, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, who shall each be elected for a term of one year, or for such shorter period as the Board of Directors may determine, and shall hold office until their respective successors shall have been duly elected and qualified.

Section 2. The Chairman of the Board shall preside at all meetings of the Board of Directors at which he is present and shall be the Chief Executive Officer of the Corporation. In said capacity the Chairman of the Board shall have authority to sign all stock certificates and shall have the power to make, sign and/or direct the making and signing of all contracts, checks, drafts, warrants and orders for the payment of money, and shall perform all such other duties as are incident to his office. In the case of absence or disability of the Chairman, his duties shall be performed by the President.

Section 3. The President shall have general supervision and management of the business of the Corporation and its officers and agents and shall be its Chief Operating Officer. In said capacity the President shall have authority to sign all stock certificates and shall have the power to make, sign and/or direct the making and signing of all contracts, checks, drafts, warrants and orders for the payment of money, and shall perform all such other duties as are incident to his office. In case of the absence or disability of the President, his duties shall be performed by one or more of the Executive Vice Presidents.

Section 4. The Secretary shall issue notices of all meetings of the Board of Directors and of the Shareholders, and shall attend and keep the minutes of the same, shall have charge of the corporate books, records and papers, shall be custodian of the Corporate Seal, shall attest with his signature, and impress with the Corporate Seal, all stock certificates and written contracts of the Corporation, and shall perform all other duties as are incident to his office. Any and all duties of the Secretary may be delegated to an Assistant Secretary in whole or in part, as the Chairman of the Board, the President or Board of Directors may direct.

Section 5. The Treasurer shall have the care of and custody of and be responsible for all the funds and securities of the Corporation and shall deposit all such funds in the name of the Corporation in such bank or banks, trust company or trust companies, or safe deposit vaults as the Board of Directors may designate. Under the direction of the Chairman of the Board, the President or the Board of Directors, he shall make, sign and endorse in the name of the Corporation all checks, drafts, warrants and orders for the payment of money and pay out and dispose of same and shall obtain receipt therefor. He shall keep at the office of the Corporation correct books of account of all its business and transactions and such other books of account as the Board of Directors may require. Any and all administrative duties of the Treasurer may be delegated to the Assistant Treasurer, Controller, or other employee of the Corporation in whole or in part, as the Chairman of the Board, the President or Board of Directors may direct.

ARTICLE VI

Dividends and Finances

Section 1. Dividends, to be paid out of the surplus earnings of the Corporation, may be declared from time to time by resolution of the Board of Directors; but no dividends shall be paid that will impair the capital of the Corporation.

Section 2. The funds of the Corporation shall be deposited in such bank or banks, or trust company or trust companies as the directors may designate and shall be drawn only upon the signature of persons authorized to do so under these By-laws or by resolution of the Board of Directors.

ARTICLE VII

Amendments

Section 1. Amendments to these By-laws may be made by a vote of the shareholders representing a majority of all of the voting capital stock issued and outstanding at any Annual Meeting of the Shareholders or at any Special Meeting of the Shareholders when the proposed amendment has been set out in the notice of such meeting; or by a majority vote of the full Board of Directors at a regular meeting or at any special meeting of the Board of Directors called for such purpose.

ARTICLE VIII

Indemnification of Directors, Officers and Others

Section 1. The Corporation shall, to the fullest extent permitted by Section 721 of the New York Business Corporation Law, indemnify any director or elected officer who is or was made, or threatened to be made, a party to an action or proceeding, whether civil or criminal, whether involving any actual or alleged breach of duty, neglect or error, any accountability, or any actual or alleged misstatement, misleading statement or other act or omission and whether brought or threatened in any court or administrative or legislative body or agency, including an action by or in the right of the Corporation to procure a judgment in its favor and an action by or in the right of any other corporation of any type or kind, domestic or

2

foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or elected officer of the Corporation is serving or served in any capacity at the request of the Corporation, by reason of the fact that he, his testator or intestate, is or was a director or elected officer of the Corporation, or is serving or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, amounts paid in settlement, and costs, charges and expenses, including attorneys' fees, or any appeal therein; provided, however, that no indemnification shall be provided to any such director or elected officer if a judgment or other final adjudication adverse to the director or elected officer establishes that (i) his acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he personally gained in fact a financial profit or other advantage to which he was not legally entitled.

Section 2. Employees of the Corporation who are not directors or elected officers shall be indemnified to the fullest extent as now or hereafter provided by Section 722 of the New York Business Corporation Law in connection with any actual or threatened action or proceeding (including civil, criminal, administrative or investigative proceedings) arising out of their service to the Corporation or to another organization at the Corporation's request. Such indemnification shall be authorized by the President or his designee. The indemnification authorized by this Section 2 shall not be deemed to exclude any other rights of indemnification to which any employee may be entitled.

Section 3. The Corporation may indemnify any other person to whom the Corporation is permitted to provide indemnification or the advancement of expenses by applicable law, whether pursuant to rights granted pursuant to, or provided by, the New York Business Corporation Law or other rights created by (i) a resolution of shareholders, (ii) a resolution of directors, or (iii) an agreement providing for such indemnification, it being expressly intended that these by-laws authorize the creation of other rights in any such manner.

Section 4. For the purposes of this Article VIII, the term "elected officer" shall include only a person who shall have been elected, designated or appointed to act as an officer of the Corporation by the Board of Directors but shall not include any person designated or appointed an officer of the Corporation, or any of its divisions or operating units, by an individual whether acting under authority delegated by the Board of Directors or in any other manner.

CONFORMED COPY

SECOND AMENDMENT dated as of June 30, 1989, to the Revolving Credit Agreement dated as of January 3, 1986, as amended and restated through June 30, 1987 (the "Agreement"), among CAPITAL CITIES/ABC, INC., formerly Capital Cities Communications, Inc., a New York corporation (the "Company"), the Banks party to the Agreement (the "Banks") and CHEMICAL BANK, a New York banking corporation, as agent for the Banks (the "Agent").

The Company has requested, and the Banks and the Agent have agreed, to amend the Agreement to extend the Maturity Date from June 30, 1990 to June 30, 1992, and to amend certain other provisions of the Agreement, on the terms and conditions hereinafter set forth. Accordingly, the Company, the Banks and the Agent agree as follows:

SECTION 1. Amendment to Article I. Article I of the Agreement shall be amended on the Effective Date by (i) amending the definitions of "Alternate Base Rate" and "Maturity Date" to read as follows:

""Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced. "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (b) the Assessment Rate. "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability or failure of the Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Maturity Date" shall mean, as to any Bank, June 30, 1992";

(ii) by deleting the definition of "Commitment Fee"; and

(iii) by adding the following new definition:

"Facility Fee" shall have the meaning assigned such term in Section 2.07."

SECTION 2. <u>Amendment to Article II.</u> Article II of the Agreement shall be amended on the Effective Date as follows:

(a) Section 2.06(b) shall be amended by amending the reference therein to "1/2 of 1%" to read "3/8 of 1%".

(b) Section 2.06(c) shall be amended by amending the reference therein to "3/8 of 1%" to read "1/4 of 1%".

(c) Section 2.07 shall be amended to read as follows:

"SECTION 2.07. <u>Facility Fee.</u> The Company shall pay each Bank, through the Agent, on the last day of each March, June, September and December, and on the Maturity Date, in immediately available funds, a facility fee (a "Facility Fee") of 9/100 of 1% per annum, on the average daily Commitment of such Bank during the quarter (or shorter period ending with any date on which the Commitment of such Bank shall be terminated or with the Maturity Date) ending on such date. All Facility Fees under this Section 2.07 shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fees due to each Bank shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Bank as provided herein."

(d) Sections 2.08(d), 2.12(e) and 2.15 shall be amended by amending the reference therein to "Commitment Fees" to read "Facility Fees".

(e) Section 2.15 shall be amended by deleting the word "unutilized" from clause (v) thereof.

SECTION 3. <u>Amendment to Articles V, VI, VII and X.</u> Articles V, VI, VII and X of the Agreement shall be amended on the Effective Date by amending all references to "Commitment Fee" and "Commitment Fees" in each such Article to read "Facility Fee" and "Facility Fees", respectively.

SECTION 4. <u>Amendment of Form of Competitive Note.</u> The first paragraph of the Form of Competitive Note set forth in Exhibit E-1 of the Agreement shall be amended on the Effective Date to read:

"FOR VALUE RECEIVED, the undersigned, , a corporation (the "Borrower"), hereby promises to pay to the order of (the "Bank"), at the office of Chemical Bank (the "Agent"), at 277 Park Avenue, New York, New York 10172, on (i) the last day of each Interest Period as defined in the Revolving Credit Agreement dated as of January 3, 1986, as amended and restated through June 30, 1987, as amended (the "Credit Agreement"), among Capital Cities/ABC, Inc. (formerly Capital Cities Communications, Inc.), the Banks named therein and Chemical Bank, as Agent, the aggregate unpaid principal amount of all Competitive Loans made by the Bank to the Borrower pursuant to Sections 2.01 and 2.02 of the Credit Agreement to which such Interest Period applies and (ii) on June 30, 1992, the lesser of the principal sum of Dollars ($) and the aggregate unpaid principal amount of all Competitive Loans made by the Bank to the Borrower pursuant to Sections 2.01 and 2.02 of the Credit Agreement, in lawful money of the United States of America in same day funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like funds, at said office, at a rate or rates per annum and payable on such dates as determined pursuant to the Credit Agreement."

SECTION 5. <u>Amendment of Form of Standby Note.</u> The first paragraph of the Form of Standby Note set forth in Exhibit E-2 of the Agreement shall be amended on the Effective Date to read:

"FOR VALUE RECEIVED, the undersigned, , a corporation (the "Borrower"), hereby promises to pay to the order of (the "Bank"), at the office of Chemical Bank (the "Agent"), at 277 Park Avenue, New York, New York 10172, on (i) the last day of each Interest Period as defined in the Revolving Credit Agreement dated as of January 3, 1986, as amended and restated through June 30, 1987, as amended (the "Credit Agreement"), among Capital Cities/ABC, Inc. (formerly Capital Cities Communications, Inc.), the Banks named therein and Chemical Bank, as Agent, the aggregate unpaid principal amount of all Standby Loans made by the Bank to the Borrower pursuant to Sections 2.01 and 2.03 of the Credit

Agreement to which such Interest Period applies and (ii) on June 30, 1992, the lesser of the principal sum of Dollars ($) and the aggregate unpaid principal amount of all Standby Loans made by the Bank to the Borrower pursuant to Sections 2.01 and 2.03 of the Credit Agreement, in lawful money of the United States of America in same day funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like funds, at said office, at a rate or rates per annum and payable on such dates as determined pursuant to the Credit Agreement."

SECTION 6. Replacement Standby Notes. On the Effective Date, the Company will execute and deliver to the Agent, for the account of each Bank, replacement Standby Notes, dated the same date as the original Notes delivered under the Agreement, identical in all respects to the Standby Note set forth in Exhibit E-2 to the Agreement, as amended by Section 5, one of which shall be made payable to each Bank in the amount of its Commitment. The schedule of loans and payments attached to each such replacement Standby Note shall reflect the Loans outstanding of each Bank on the Effective Date. Each such replacement Note shall for all purposes be deemed a "Note" under the Agreement, as amended hereby. On the Effective Date, the old Notes shall be deemed canceled, and each Bank shall promptly deliver to the Agent, for delivery to the Company, its old Note with an appropriate notation as to the cancelation of such Note. The Agent shall, upon receipt by it of an old Note marked canceled, release and transmit the old Note to the Company and a replacement Standby Note to the appropriate Bank.

SECTION 7. Conditions of Effectiveness. This Second Amendment shall become effective only upon satisfaction in full of the following conditions precedent (the first date upon which each such condition has been satisfied being herein called the "Effective Date"):

(a) The Agent shall have received a signed copy for each Bank of a favorable written opinion of General Counsel for the Company, addressed to the Banks, dated the Effective Date, and satisfactory in form and substance to Cravath, Swaine & Moore, counsel for the Agent, to the effect set forth in Exhibit 1 hereto.

(b) Each Bank shall have received (x) a copy of all amendments, if any, to the Company's Certificate of Incorporation and By-laws from June 30, 1987, to the

Effective Date, each certified by the Secretary or an Assistant Secretary of the Company and (y) a certificate dated as of the Effective Date and signed by the Secretary or an Assistant Secretary of the Company, certifying (A) that neither the Certificate of Incorporation nor the By-laws of the Company have been amended from June 30, 1987, to the Effective Date, except as disclosed pursuant to clause (x) hereof, (B) that attached thereto are true and complete copies of all resolutions adopted by the Executive Committee of the Company, authorizing the execution and delivery of the Second Amendment, and (C) as to the incumbency and specimen signature of each officer of the Company executing this Second Amendment and any certificates or instruments furnished pursuant hereto, such certificate to contain a certification by another officer of the Company as to the incumbency and signature of the officer signing such certificate.

(c) Each Bank shall have received a certificate dated the Effective Date and signed by the chief financial officer or chief accounting officer of the Company to the effect (x) that all the representations and warranties of the Company set forth in Article III of the Agreement, as amended hereby, are true and correct in all material respects on and as of such date with the same effect as though made on and as of such date and (y) that on such date (and giving effect to this Second Amendment) the Company is in compliance with all the terms and provisions set forth in the Agreement, as amended hereby, on its part to be observed or performed and no Event of Default or event which upon notice or lapse of time or both would constitute an Event of Default has occurred and is continuing.

(d) The Agent shall have received in escrow the replacement Standby Notes referred to in Section 6 hereof, duly executed by the Company.

(e) All legal matters incident to this Second Amendment shall be satisfactory to Cravath, Swaine & Moore, counsel for the Agent.

(f) The Company, each Bank and the Agent shall have executed this Second Amendment, and counterparts hereof bearing the signatures of such parties shall have been delivered to the Agent.

SECTION 8. Applicable Law. This Second Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 9. Agreement. Except as expressly amended hereby, the Agreement shall continue in full force and effect in accordance with the provisions thereof on the date hereof.

SECTION 10. Counterparts. This Second Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one instrument.

SECTION 11. Expenses. The Company shall pay all reasonable out-of-pocket expenses incurred by the Agent in connection with the preparation of this Second Amendment, including, but not limited to, the reasonable fees and disbursements of Cravath, Swaine & Moore, special counsel for the Agent.

SECTION 12. Headings. The headings of this Second Amendment are for the purposes of reference only and shall not limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the Company, each of the Banks and the Agent have caused this Second Amendment to be duly executed by their duly authorized officers, all as of the date and year first above written.

CAPITAL CITIES/ABC, INC.,

by
/s/ Ronald J. Doerfler
Senior Vice President and
Chief Financial Officer

CHEMICAL BANK, individually
and as Agent,

by
/s/ Martin F. Lewis
Vice President

[CROWL15/02/21N/WPC/4D]

THE BANK OF NEW YORK,

by /s/ Deborah D. Rasin
Vice President

THE CHASE MANHATTAN BANK, N.A.,

by /s/ Robert T. Smith
Vice President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

by /s/ David L. Greenwood
Vice President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Nassau Office,

by /s/ David L. Greenwood
Vice President

MANUFACTURERS HANOVER TRUST COMPANY,

by /s/ Kurt C. Jomo
Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,

by /s/ William L. Hess
Vice President

BANKERS TRUST COMPANY,

by
/s/ Mark McFadden
Vice President

MARINE MIDLAND BANK, N.A.,

by
/s/ David C. Carrington
Vice President

THE FIRST NATIONAL BANK OF CHICAGO,

by
/s/ Brendan T. Nedzi
Assistant Vice President

CONTINENTAL BANK N.A. (FORMERLY KNOWN AS CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO),

by
/s/ Carl W. Jordan
Vice President

NATIONAL BANK OF DETROIT,

by
/s/ Carolyn Parks
Vice President

SECURITY PACIFIC NATIONAL BANK,

by
/s/ Albert W. Kelley
Vice President

THE FIRST NATIONAL BANK OF BOSTON,

by /s/ Robert A. Bachelder
Vice President and Director

BANK OF NOVA SCOTIA,

by /s/ Jim N. Tryforos
Vice President

ROYAL BANK OF CANADA,

by /s/ Michael A. Waiser
Senior Manager

COMMERCE BANK OF KANSAS CITY,

by /s/ Stephen P. Hall
Senior Vice President

UNITED MISSOURI BANK OF KANSAS CITY, N.A.,

by /s/ Walter Beck
Executive Vice President

Substance of Opinion of
General Counsel for the Company

1. The Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has the requisite power and authority to own its property and assets and to carry on its businesses as now conducted and is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not have a material adverse effect on the condition, financial or otherwise, of the Company or the Company and the Subsidiaries taken as a whole. The Company has the corporate power to execute, deliver and perform its obligations under the Credit Agreement as amended by the Second Amendment, to borrow thereunder and to execute and deliver the replacement Standby Notes and the Competitive Notes to be delivered by it.

2. The execution, delivery and performance by the Company of the Credit Agreement as amended by the Second Amendment, the borrowings thereunder and the execution and delivery of the replacement Standby Notes and the Competitive Notes (a) have been duly authorized by all requisite corporate and, if required, shareholder action of the Company, and (b) will not (i) violate (A) any provision of law, statute, rule or regulation or the articles of incorporation or the By-laws of the Company, (B) to the best of my knowledge after due inquiry, any order of any court or any rule, regulation or order of any other agency of government binding upon the Company or any Subsidiary or (C) to the best of my knowledge after due inquiry, any provisions of any indenture, agreement or other instrument to which the Company or any Subsidiary, or any of their respective properties or assets, are or may be bound or (ii) to the best of my knowledge after due inquiry, be in conflict with, result in a breach of or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in (b)(i)(C) above.

3. The Credit Agreement as amended by the Second Amendment and the replacement Standby Notes being delivered by the Company have been duly executed and delivered by the Company, and constitute, and the Competitive Notes when duly executed and delivered by the Company will constitute, legal, valid and binding obligations of the Company,

enforceable in accordance with their respective terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency and similar laws affecting creditors' rights generally and to moratorium laws from time to time in effect).

4. No registration with or consent or approval of, or other action by, any Federal, state or other governmental agency, authority or regulatory body is required in connection with the execution, delivery and performance by the Company of the Credit Agreement as amended by the Second Amendment, the execution and delivery by the Company of the replacement Standby Notes and the Competitive Notes or its borrowings thereunder.

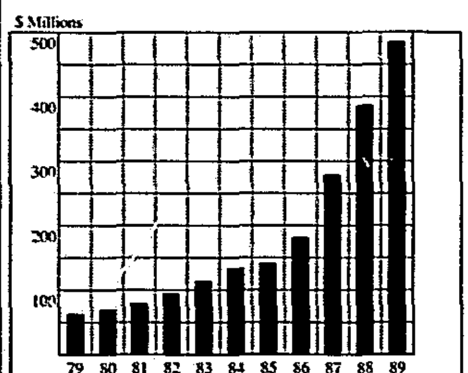
5. To the best of my knowledge after due inquiry, there are not any actions, suits or proceedings at law or in equity or by or before any governmental instrumentality or other agency or regulatory authority now pending or threatened against or affecting the Company or any Subsidiary, or the business, assets or rights of the Company or any Subsidiary which involve the Credit Agreement as amended by the Second Amendment or any of the transactions contemplated thereby.

6. To the best of my knowledge after due inquiry, there are not any actions, suits or proceedings at law or in equity or by or before any governmental instrumentality or other agency or regulatory authority (other than any proceedings under the Federal Communications Act of 1934 or the rules and regulations of the Federal Communications Commission) now pending or threatened against or affecting the Company or any Subsidiary as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would be likely, in my judgment, individually or in the aggregate, materially to impair the ability of the Company or the Company and the Subsidiaries taken as a whole to conduct business substantially as now conducted, or materially and adversely to affect the business, assets, operations, prospects or condition,, financial or otherwise, of the Company or the Company and the Subsidiaries taken as a whole, or to impair the validity or enforceability of or the ability of the Company to perform its obligations under the Credit Agreement as amended by the Second Amendment or under the replacement Standby Notes executed and delivered, or the Competitive Notes to be executed and delivered, by the Company.

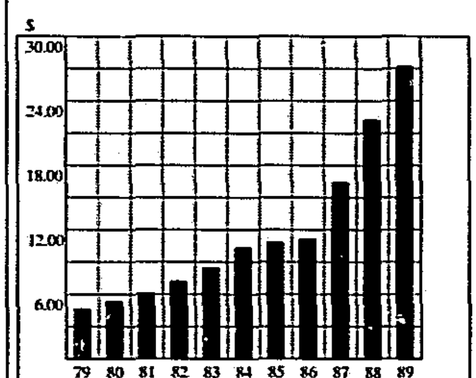
Operating Highlights

	1989	1988
Net revenues	$4,957,394,000	$4,773,453,000
Operating income	$ 922,512,000	$ 816,029,000
Net income	$ 485,727,000	$ 387,076,000
Net income per share	$27.25	$22.31
Average shares outstanding	17,825,000	17,350,000

Income Before Extraordinary Items



Income Per Share Before Extraordinary Items



A Message From The Chairman

In January 1990, I announced that I intend to recommend to the Board of Directors of Capital Cities/ABC that Dan Burke assume the responsibilities of Chief Executive Officer on June 1 following my 65th birthday on May 31, 1990. I would remain as Chairman and continue to work with Dan for the foreseeable future.

Dan and I have worked together developing and expanding this Company for almost thirty years and have managed the Company as Chairman and President for nearly eighteen years. It would be difficult to find an executive better prepared for chief executive responsibilities than Dan Burke. His intelligence, creativity and leadership skills have been a large part of the success of the Company over the years. The values and traditions that have been important to us, and which we believe have served the public well, will continue. The highest priority will be placed on positioning the Company for the future, both in its operations and in its next generation of management.

I am confident that Capital Cities/ABC will continue to grow and flourish under Dan's guidance and that our shareholders and employees will give him the same support they have given management over the past thirty-five years.

Thomas S. Murphy

THOMAS S. MURPHY
Chairman

To Our Shareholders

The 1980s were years of substantial growth for Capital Cities/ABC; and 1989 — our 35th year — was outstanding in most respects. The Company reported record earnings of $485,700,000 in 1989 on revenues of almost $5,000,000,000. The most gratifying aspect of these results, however, is that the organizational and operational initiatives which were taken since the Company's acquisition of American Broadcasting Companies in January 1986 have generated positive momentum for the 1990s. The changes implemented following the acquisition had one purpose: to make the combined Company as competitive, efficient and financially sound as possible.

Several unusual factors affected the comparison of reported results for 1989 with the prior year. The ABC Television Network's coverage of the Calgary Winter Olympics and the Super Bowl inflated 1988 revenues and their absence moderated overall revenue growth in 1989. Earnings improved in 1989 as a result of the absence of losses associated with special-event programming, the impact of the 1988 Writers Guild strike, reasonably strong network revenue performance, good operating results at most of our broadcast locations and lower net financing expense. A summary of the Company's results for 1989 compared with 1988 follows:

(Dollars in millions)	1989	1988	Percent change
Net revenues	$4,957.4	$4,773.4	4%
Operating costs	3,877.3	3,797.6	2%
Depreciation and amortization	157.6	159.8	(1)%
Total costs	4,034.9	3,957.4	2%
Operating income	922.5	816.0	13%
Interest and other, net	(71.4)	(128.7)	(45)%
Income before taxes	851.1	687.3	24%
Income taxes	(365.4)	(300.2)	22%
Net income	$ 485.7	$ 387.1	25%
Income per share	$27.25	$22.31	22%

At the time of the ABC acquisition, the Company was required to reduce entertainment and sports programming rights from their historic costs to their fair market values. In 1989 and 1988 these accounting benefits totalled $3.10 and $6.60 per share, respectively. Starting in 1990, the Company's earnings will be relatively unaffected by purchase price adjustments of this nature. Amortization of intangible assets relating to the ABC acquisition amounted to $2.91 and $3.03 per share in 1989 and 1988, respectively. Excluding these two noncash acquisition-related items, earnings per share increased 44 percent, from $18.74 in 1988 to $27.06 in 1989.

In addition to improved earnings performance in 1989, the Company continued to generate substantial cash flow. Cash flow from operations was slightly in excess of $700,000,000 in 1989. It is necessary that a portion of this cash flow be reinvested in our broadcasting and publishing businesses to ensure that their production and distribution facilities remain fully competitive. In 1989, for example, the Company purchased second generation satellite transponders that are expected to begin service in 1992. We also completed our new television network and corporate headquarters facility. Most of our New York broadcasting and corporate activities are now consolidated on one city block.

After investing to maintain and enhance existing operations, our next priority is to acquire or develop new media properties. In 1989, Capital Cities/ABC committed approximately $150,000,000 to a number of acquisitions which closed in 1989 and early 1990. We believe that reasonable prices were paid for these properties and that their purchase reaffirms our commitment to grow in business segments with which our organization is familiar. We remain cautious, however, about the extremely high asking prices for most media properties. As a result, a significant portion of our available cash flow was used in 1989 to repurchase the

Company's common stock. In 1988, the Board of Directors authorized the repurchase of up to 1,000,000 shares of common stock, and in 1989 the Company bought 523,000 of its shares in open market transactions at a total cost of $233,000,000. The average cost was $445 per share, or 16.3 times the Company's 1989 earnings per share. The 1989 stock repurchases averaged 7.3 times operating cash flow (operating income before depreciation and amortization), which compares favorably with the multiple of 10 to 12 times operating cash flow paid for most quality media acquisitions in recent years. We are continuing this program in 1990, especially when the price/earnings multiple of the Company's shares appears relatively low compared with either historical trading levels or the cost of acquiring other media properties.

The Company's balance sheet at year-end 1989 is in strong condition. Cash and short-term cash investments exceeded $1,100,000,000. This was almost unchanged from 1988 levels as a result of major capital expenditures, acquisitions and the share repurchase program. Long-term debt of approximately $1,700,000,000 was also unchanged from 1988. Debt now represents 32 percent of total capital, down from 34 percent in 1988 and 51 percent at the time of the ABC acquisition in 1986. Over this period, 1986 through 1989, stockholders' equity has increased by over $1,500,000,000, to $3,300,000,000. The combination of strong earnings and stock repurchases has improved the Company's return on equity to over 15 percent in 1989, which is closer to historical levels.

Highlights of the Company's operating group and corporate activities for 1989 follow. More details are available in separate sections later in this report.

The ABC Television Network Group achieved significant progress in 1989, finishing the year as the industry leader in delivery of the key demographic audiences in the early morning, Monday-to-Friday daytime, children's and evening news dayparts. In prime time, ABC increased its second-place share of the three-network young adult audience which is most desired by advertisers. The growing appeal of the network's programs throughout the broadcast day was timely, since advertiser demand for network television in 1989 was stronger than it has been in recent years, particularly in the latter half of the year. Upfront advertiser commitments for the 1989-90 season reflected stronger pricing, and third-quarter and fourth-quarter scatter market schedules were sold at premiums to upfront levels. This revenue growth enabled the network to report an operating profit in 1989, compared with a modest operating loss in 1988. Prime-time ratings improvement in 1989 was highly instrumental in restoring the network to profitability. While there were no new breakaway hits in the early portion of the 1989-90 season such as last season's *Roseanne*, the network's program development and scheduling efforts resulted in a stronger schedule. Audience strength on Tuesday, Wednesday and Friday nights enabled the network to finish the year in second place.

Leadership in network television requires a first-rate news organization, and the Company was never more proud of ABC News than it was in 1989. More Americans turned to ABC for its coverage of developments in China, eastern Europe, Panama and the San Francisco earthquake than to any other network. *World News Tonight* finished the full year as the nation's number-one-rated early evening news program for the first time since ABC began broadcasting the evening news in 1953. *Nightline* had another solid and very successful year, and *20/20* led its time period after making the shift in 1987 from Thursday to Friday. *PrimeTime Live*, which debuted last August, has made an encouraging showing on Thursday at 10 p.m. against very strong competition.

In sports, ABC's *Monday Night Football* was the most popular prime-time program among men, and *Wide World of Sports* was the most popular sports anthology series. Other successful ABC Sports' events in 1989 included Big 10 and Pac 10 college football, the Rose Bowl, Triple Crown horse racing and the Indianapolis 500. In early 1990, ABC Sports entered into a new four-year agreement with the National Football League to telecast *Monday Night Football*. The division also obtained the rights for CFA college football for five years and for a new NFL spring football league for two years, both starting in 1991, but did not prevail on several other major packages. ABC Sports has a number of premier sporting events under long-term contract and will continue to be an important contributor to the network's performance.

The Broadcast Group had another good year in 1989. The television stations reported higher revenues and profits despite the difficult comparison caused by the Winter Olympics, the Super Bowl and significant political advertising revenues in 1988. The ABC Radio Networks benefited from strong industry revenue growth and achieved a substantial earnings gain. Revenues at the radio stations improved moderately, resulting in slight profit gains. Video Enterprises had another year of fine growth, with ESPN, the 24-hour sports cable programming service, being the largest contributor to the division's profits. Arts & Entertainment and Lifetime, two cable networks in which the Company has significant minority interests, were increasingly profitable in 1989. Video Enterprises also continued to actively invest in new opportunities for the Company, both in electronic media and in foreign programming and distribution joint ventures.

After three consecutive years of profit declines, the Publishing Group reported a small increase in earnings in 1989. Moderate revenue growth, combined with careful control of costs, enabled the newspaper division to report good earnings improvements. The specialized publications division experienced lower-than-anticipated revenue growth, and profits declined moderately. The division has identified some new areas of opportunity and is in the process of repositioning certain publications accordingly.

While we are pleased with the Company's progress this past year, 1990 presents several immediate and longer-term challenges. It would be imprudent to expect revenue growth at relatively mature broadcasting and publishing properties to substantially exceed the national rate of inflation in the foreseeable future unless we can increase viewer, listener and readership levels. This means that we must seek and develop new ways to expand our audiences and to market them creatively to our advertisers. Equally important, we must continue to limit overall expense growth. This will be a difficult task, as entertainment programming and sports rights fees have escalated well beyond the general cost of living in recent years.

One area of future potential for our Company and the ABC Television Network Group lies in expanded television program ownership. Since 1970, when the three major networks represented the principal form of television distribution in this country, the ABC, CBS and NBC Television Networks have been severely restricted by law as to the amount of prime-time programming they can produce for broadcast. Furthermore, the networks have been prohibited from negotiating for financial interests in programs produced by others, and from syndicating any programs domestically, or from syndicating programs abroad that they do not own. With the competitive environment vastly different now than it was when these restrictions were imposed, the three networks believe that these outdated rules must be modified.

Anticipating some liberalization in the rules which currently limit the number of hours in which we can take a financial interest, ABC Productions, an in-house production unit, was formed in March 1989 under the leadership of Brandon Stoddard, former President of ABC Entertainment. ABC

Productions already has several projects in development, some of which we hope might be added to the network's prime-time schedule by the end of 1990. Program ownership is advantageous to a network on many levels. It can provide more direct control over day-to-day operating costs and more flexible scheduling; and most important, it can generate revenues and profits from ancillary markets after programs achieve successful network runs. We hope to take full advantage of these opportunities in the years ahead.

In the public service area, the Company remained deeply committed to Project Literacy U.S. (PLUS) and the Partnership For a Drug-Free America. PLUS, which attacks the problems of illiteracy, expanded its campaign to the nation's youth in 1989. In over 200 town meetings held across the nation, PLUS brought business and civic leaders together to discuss problems facing young adults in their communities. In addition, the Company supported its efforts to attract volunteers to teach reading. We are also pleased to report that the Drug-Free America campaign to educate the nation on the dangers of substance abuse is making great progress. Broad-based independent research shows meaningful reductions in both drug experimentation and regular use. In 1989, our broadcasting and publishing operations contributed $34,000,000 in advertising time and space to the campaign.

In 1989, Joseph P. Dougherty and Leon Hess left our Board of Directors. Mr. Dougherty was a former Executive Vice President of the Company and was President of its Broadcasting Division for many years. Mr. Hess, one of America's great entrepreneurial businessmen, had been a valued board member of the Company and, prior to 1986, of American Broadcasting Companies, Inc., for 21 years. We thank both of them for all their contributions and wish them well in their future endeavors.

We especially thank our employees for all they accomplished in 1989. Their excellent efforts, as well as generally favorable business conditions, allowed us to report another record year. We also wish to thank our shareholders for their loyal support of Capital Cities/ABC. Your Company is competitively and financially strong. As representatives of nearly 20,000 talented and dedicated fellow employees, we pledge our best efforts in your behalf in 1990 and beyond.

Thomas S. Murphy

THOMAS S. MURPHY
Chairman

Daniel B Burke

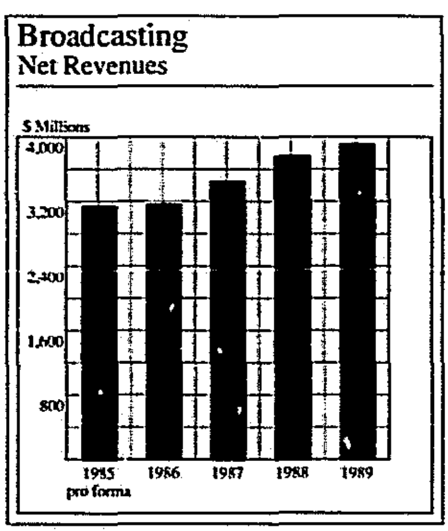
DANIEL B. BURKE
President

Broadcasting

The Company's broadcasting operations, which consist of the ABC Television Network Group and the Broadcast Group, had 1989 net revenues of $3,900,000,000, an increase of 4 percent, or $150,400,000, over 1988. Operating earnings of $836,100,000 in 1989 were up $113,900,000, or 16 percent over the prior year. Broadcasting's 1989 and 1988 results are summarized as follows:

(Dollars in millions)	1989	1988
Net revenues	$3,900.0	$3,749.6
Operating costs	2,943.3	2,904.7
Depreciation and amortization	120.6	122.7
Total costs	3,063.9	3,027.4
Operating income	$ 836.1	$ 722.2

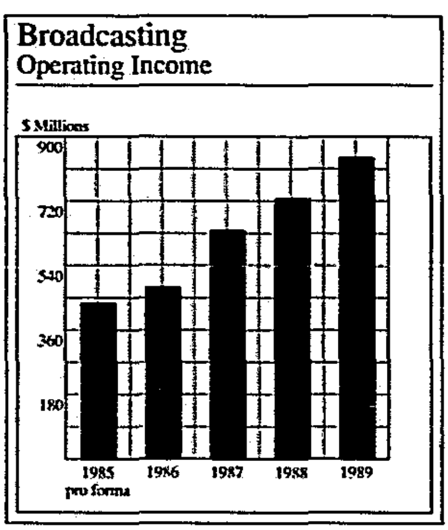
The 1989 and 1988 results include acquisition-related adjustments to fair market value for entertainment programming and sports rights of the ABC Television Network. These adjustments benefited 1989 and 1988 earnings by $92,000,000 and $191,000,000, respectively. Additionally, both 1989 and 1988 results include amortization of intangibles (principally arising from the ABC acquisition) of $46,000,000. Excluding these two noncash acquisition-related factors, total broadcasting costs declined 2 percent and earnings would have been $790,000,000 in 1989, a 37 percent increase from $577,000,000 in 1988.



ABC Television Network Group

The ABC Television Network Group reported significant operating profits in 1989, benefiting from strong advertiser demand, an improved competitive position across all dayparts and continuing efforts to manage overall cost growth. The network's underlying revenue and cost growth in 1989 are difficult to compare to 1988, since last year's levels were influenced by several non-recurring events: the Calgary Winter Olympics, Super Bowl XXII, a 22-week Writers Guild strike and the presidential election campaign. Net revenues were slightly in excess of $2,400,000,000 in 1989, modestly higher than in 1988 which benefited from the broadcasts of the Winter Olympics and the Super Bowl. Operating costs (excluding purchase price adjustments) declined approximately 6 percent, due largely to the absence of Olympic and presidential election year costs. As a result, the ABC Television Network reported operating earnings in excess of $160,000,000 in 1989, compared with a loss of approximately $4,000,000 in 1988 (excluding purchase price adjustments in both years).

Post-Olympic years have historically resulted in a revenue decline for the three networks combined, and in 1989 the marketplace decreased by slightly less than one percent. Accordingly, in 1989, the ABC Television



Network anticipated a revenue decline. In the second half of the year however, advertiser demand improved for every network daypart. ABC's key demographic audience delivery also strengthened relative to its network competition, enabling it to take advantage of the strong marketplace.

In 1989, a number of important organizational changes took place. Brandon Stoddard moved from President of ABC Entertainment, where he had overseen the reemergence of ABC's prime-time schedule, to President of ABC Productions. Robert Iger was named President of ABC Entertainment, with primary responsibility for prime time, and Michael Brockman was named President of Daytime, Children's and Late Night Entertainment.

Prime time attracts the largest audience levels and is the highest revenue producer of all the network's dayparts. While ABC solidified its number-two position in prime time, this daypart still represents the greatest opportunity for further improvement. In the 1987-88 season, the network finished in second place due to its strong ratings from the Winter Olympics and Super Bowl. More important to longer-term growth, the network's second-place finish in the 1988-89 season came from its ongoing entertainment series. For regularly scheduled programs, ABC was the only network to show growth in household ratings in the 1988-89 season, consistently winning Tuesday and Friday nights, and finishing stronger on the other nights of the week.

On Tuesday night, *Roseanne*, starring Roseanne Barr, was 1989's number-one-rated show among all television households. *Who's The Boss?* and *The Wonder Years*, the two situation comedies which lead off Tuesday night, also placed among the top-rated network shows for the season. An ensemble drama, *thirtysomething*, also had strong appeal for young adults. On Friday night, ABC's comedy block from 8 to 10 p.m. dominated the time period among younger viewers.

Two new series which have received an encouraging initial response from viewers are *Doogie Howser, M.D.* on Wednesday night and *America's Funniest Home Videos* on Sunday night (introduced in January 1990). *Life Goes On*, which also airs on Sunday night, has received critical acclaim and has strengthened the 7 p.m. time period.

ABC's Monday-to-Friday daytime programming remained the industry leader in the delivery of young adult women in 1989, a position it has held since 1977. Advertiser demand was particularly strong for this daypart in the latter half of the year, due in part to the network's stronger marketing efforts. As a result, ABC Daytime was able to halt the decline in profitability that had occurred over the past several years. Among women viewers 18-49, *All My Children*, *General Hospital* and *One Life to Live* were the three top-rated daytime programs in 1989. *Good Morning America*, hosted by Charlie Gibson and Joan Lunden, is now the most popular early morning program and is especially strong among young adult viewers. Additionally, ABC's top-rated Saturday morning children's lineup allowed the network to capitalize on very strong advertiser demand for this daypart. The five most popular half-hours of children's programming were all on ABC in 1989.

ABC News had an extraordinary year in 1989, in terms of both comprehensive coverage and audience growth. *World News Tonight* with Peter Jennings was the top-rated evening news broadcast for 1989 for the first time ever. It was the only evening news program to increase its viewership during the year, and it now has an even stronger lead in the delivery of young adult viewers. The award-winning *American Agenda* remained a vital segment of *World News Tonight*. *20/20* with Hugh Downs and Barbara Walters distinguished itself by breaking important news stories and consistently winning its time period on Friday night. In the third quarter of 1989, ABC News premiered *PrimeTime Live*, hosted by Sam Donaldson and Diane Sawyer. The broadcast resulted in improved ratings during its Thursday time period and provided ABC News with greater flexibility in covering late-breaking news events. *Nightline*, hosted by Ted Koppel, provided in-depth coverage and analysis that proved to be invaluable in the network's telecasts of the San Francisco earthquake, Hurricane Hugo and developments in eastern Europe, China and Panama. *This Week with David Brinkley* continued to be an important contributor to the ABC News schedule. Occasional special programs, such as *Peter Jennings Reports* and *The Koppel Report*, examined other events and issues of national interest. Among them, *The Koppel Report: Tragedy at Tiananmen — The Untold Story* won the prestigious Alfred I. duPont-Columbia University Award for broadcast journalism. Barbara Walters' four specials in 1989 were the highest-rated prime-time news specials of the year.

ABC Sports had a good year in 1989 in a fiercely competitive environment for sports rights. Having streamlined its operations and with several unprofitable long-term contracts behind it, ABC Sports is in as strong a competitive position as it has been in many years. ABC's *Monday Night Football* was the number-one regularly scheduled prime-time program among men 18-49 in 1989, and it highlighted the division's schedule. Early in 1990, ABC Sports renewed its *Monday Night Football* contract for four years. The new agreement, which provides for additional games, is expensive by any measure. The retention of this quality franchise was critical to the network's prime-time competitiveness. The division is well positioned for the future with other long-term rights agreements, including CFA college football, Big 10 and Pac 10 college football, the Rose Bowl, Sugar Bowl, Indianapolis 500, Triple Crown horse racing and three major golf championships.

In the public service area, the network continued to make significant commitments to both Project Literacy U.S. (PLUS) and the Partnership For a Drug-Free America. The ABC Television Network won over 200 awards in 1989, including 36 Emmys, two George Foster Peabody Awards and three Golden Globe Awards.

By any measure — ratings, underlying revenue growth or profitability — the ABC Television Network showed significant improvement in 1989. The network's strategy to develop programming that appeals to young adults and to vigorously monitor expenses in every phase of its operations has generated momentum as it enters the 1990s. It is clear, however, that the network will need this momentum to achieve greater profitability. Overall viewing levels for the three major networks declined again in 1989 in both prime time and daytime.

To achieve near-term growth within this environment the network has several objectives. First, ABC's share of the overall network marketplace and in particular the prime-time marketplace, while improved in 1989, still falls below our long-term objectives. With its recent audience gains and more comprehensive marketing efforts, the network is hopeful it can improve its share of three-network advertising dollars. ABC also needs to develop late-night entertainment programming for the time period following *Nightline*. This is a significant daypart that for years the network has been unable to successfully program. Most importantly, the ABC Television Network must continue to attract the best of the industry's creative talent to develop additional new series programming if it is to improve its prime-time share of the three-network audience. In this regard, recent program commitments with Steven Bochco (*L.A. Law*, *Hill Street Blues*, *Doogie Howser, M.D.*), James Brooks (*Terms of Endearment*, *Broadcast News*, *Big*, *Taxi*) and Ed Weinberger (*The Mary Tyler Moore Show*, *Taxi*) are strategically important to the network.

For longer-term growth, however, it is imperative that the network be able to produce more prime-time programming internally. The networks have faced several limitations in this regard since the late 1960s. In the fall of 1990, however, the regulatory limits on prime-time production will expire, giving the networks substantially more latitude in the production of entertainment programming. ABC Productions, an in-house production unit created early in 1989, was formed to capitalize on the elimination of these restrictions and currently has a number of projects in development. Current regulatory restrictions also limit the network's ability to negotiate for financial interests in programs produced by others and also prevent the networks from participating in domestic or foreign syndication. The networks are discussing changes in these rules with representatives of the production community, and the Company remains hopeful that these limitations can be modified or eliminated, either as the result of the negotiations or as a result of governmental review of the current utility of the rules. Program ownership brings with it better control of costs, greater scheduling flexibility and profit participation in ancillary markets. Modification of the financial interest rules is a priority for the network in the 1990s.

Broadcast Group

The Broadcast Group achieved record revenues and earnings for the fourth successive year since the merger of Capital Cities and ABC. Net revenues increased by approximately 9 percent to $1,555,000,000, and operating income (before amortization of intangibles) increased 8 percent to $625,000,000.

Revenues and earnings at the television stations grew at modest levels in 1989, after having been the beneficiary the year earlier of the substantial incremental revenue impact of the Winter Olympics, the Super Bowl and political advertising. Radio had an excellent year in 1989, with the radio networks accounting for most of the gain. Video Enterprises again significantly increased its revenues and operating profits in 1989, highlighted by ESPN's strong performance.

The amicable resolution of the Company's negotiations with its union technicians at the former ABC broadcasting properties was a welcome event. Since we have already availed ourselves of most staff economies, we expect the new agreement's positive effect on costs to reflect itself in more subtle ways through greater creative opportunities and enhanced operating efficiencies.

Television Stations

Advertising revenues for the television stations increased approximately 5 percent. The year-to-year comparison is influenced by the inclusion of the Super Bowl, the Winter Olympics and significant political advertising in 1988. In addition, major increases in television network advertising in 1989, which moved spending away from national spot, resulted in moderated revenue growth at the stations.

After several years of impressive, perhaps even dramatic, profit growth, the television stations' performance can be best described as solid, with our New York and Los Angeles stations reporting the strongest earnings gains. With the major cost reductions achieved at the former ABC stations in 1986 and 1987 (and still apparent in 1988's cost profile), the performance of the stations takes on a more normal appearance. Operating expenses continue to receive close management scrutiny, but increased competition and resultant escalating product and talent costs have made the choices more difficult and the direct benefit of prudent cost management harder to achieve.

Despite the fact that heightened competition and increased viewing alternatives have somewhat reduced our relative margin of advantage, the stations' competitive posture continued to be very strong. In November 1988, all eight stations were ranked number one in their respective markets from sign-on to sign-off; and in November 1989, seven stations occupied the top spot and one (KABC-TV, Los Angeles) was number two. Since the beginning of the combined

Company these "sweep" rankings, which are derived from four annual national viewing surveys, have run alternatively from a low of five first-ranked stations to a high of eight — a constant reminder that we cannot and do not take our market leadership for granted.

The stations maintain their enviable market position by offering to their audiences a successful and appealing combination of local programming, anchored by a very strong and continuing local news commitment. The following table reflects the ranking of the television station's principal news programs:

Station and Market	Market rank	News program rank: Early evening	Late evening
WABC-TV (New York)	1	1	2
KABC-TV (Los Angeles)	2	2	2
WLS-TV (Chicago)	3	1	1(T)
WPVI-TV (Philadelphia)	4	1	1
KGO-TV (San Francisco)	5	1	1(T)
KTRK-TV (Houston)	10	1	1
WTVD (Durham-Raleigh)	33	2	2
KFSN-TV (Fresno)	62	1	1

Sources: *Nielsen, November 1989, except KFSN-TV which is Arbitron, November 1989*
(T) Tied

The eight television stations continue to be the largest group in the country, reaching 24.4 percent of total ADI (Area of Dominant Influence) television homes, which is slightly under the 25 percent limitation established by rules of the Federal Communications Commission.

Radio

Radio had a fine year in 1989, and the ABC Radio Network unit was the outstanding performer. After a year of reduced profits in 1988, the radio networks achieved record earnings.

The ABC Radio Networks continue pre-eminent in their industry sector and serve more than 2,100 affiliates nationwide. The networks feature a wide array of special programming; the talent and resources of ABC News; and Paul Harvey, the most popular and respected radio commentator on the national scene. These elements helped the Radio Networks maintain an enviable ratings position as the chart below reflects:

Network	Audience share	National rank
Information	9.4%	1
Entertainment	8.9%	3
Contemporary	6.6%	6
Rock	5.6%	10
Satellite Music 1	5.0%	13
FM	4.5%	14
Direction	4.2%	15
Satellite Music 2	2.3%	16

Source: *RADAR 40, fall '89 All Broadcasts Total persons 12+*

In July 1989, the ABC Radio Networks completed the acquisition of Satellite Music Network, Inc. (SMN), a producer of satellite-delivered live music formats, for an aggregate cash purchase price approximating $45,000,000. The suitability of this acquisition evolved from a mutually beneficial national sales representation arrangement which the ABC Radio Networks and SMN had enjoyed since 1987. SMN offers more than 1,000 radio station affiliates ten 24-hour radio formats supplemented by related support services. This acquisition is expected to complement the services already offered by the ABC Radio Networks.

Earnings also rose slightly at the Company's 21 radio stations, with several stations experiencing outstanding years. In the context of a large group of stations, however, there are always a few that face either a weak market economy or a format challenge, or both, and 1989 was no exception. Strong earnings performances at our Los Angeles, Fort Worth-Dallas and Detroit stations were substantially offset by earnings declines at our New York, Washington, D.C., and Providence stations. In 1989, the FCC approved the Company's request to continue ownership of seven of the former ABC radio properties. The permanent waiver affects stations in New York, Los Angeles, Chicago and San Francisco markets, which were previously subject to divestiture because of the FCC's "multiple ownership" rules.

The Company's 21 radio stations (eleven AM and ten FM) reach 25.7 percent of the United States as shown in the following chart:

Station and Market	Market rank	# of stations in market	% of U.S.
WABC-AM/WPLJ-FM (New York)	1	44	7.0%
KABC-AM/KLOS-FM (Los Angeles)	2	41	4.5%
WLS-AM/WYTZ-FM (Chicago)	3	35	3.3%
KGO-AM (San Francisco)	4	49	2.4%
WJR-AM/WHYT-FM (Detroit)	6	29	1.8%
WBAP-AM/KSCS-FM (Fort Worth-Dallas)	7	30	1.6%
WMAL-AM/WRQX-FM (Washington, D.C.)	9	31	1.6%
WKHX-AM/FM (Atlanta)	12	22	1.1%
KQRS-AM/FM (Minneapolis-St. Paul)	18	20	1.0%
KRXY-AM/FM (Denver)	24	30	0.8%
WPRO-AM/FM (Providence)	28	24	0.6%
Total			25.7%

Source: *Arbitron, Fall 1989 Radio Market Reports Total persons 12+*

Video Enterprises

Video Enterprises had another outstanding year in 1989 and continues to be a significant contributor to overall Company profitability. More readily identified with its successful cable programming activities — ESPN, Arts & Entertainment (A&E) and Lifetime — Video Enterprises is also involved in program distribution, several entrepreneurial business investments and an increasing presence in the foreign marketplace.

ESPN had another exceptional year in 1989 and continued as the premier cable sports programmer in the country. A&E and Lifetime, partially owned by the Company, also continued to participate in cable's increased acceptance with viewers and advertisers and enjoyed significant profit increases.

Subscriber growth and cable household data for each of these networks follows:

	Average subscribers				
(Millions)	1989	1988	1987	1986	1985
ESPN	52.5	47.7	41.8	37.3	36.0
A&E	39.9	31.0	26.8	20.5	18.7
Lifetime	44.3	39.0	30.9	25.9	23.0
Cable TV HH	53.4	47.8	43.8	41.7	39.2
Total TV HH	91.3	90.4	88.6	87.4	85.9

Source: *Nielsen Universe based on NTI metered service*

ESPN, 80-percent-owned by the Company, is the largest of the Company's cable program services. At year-end 1989, ESPN reached approximately 55,000,000 subscribers, or 59.5 percent of U.S. television households, more than any other cable network. ESPN further enhanced its position by acquiring from Major League Baseball the cable rights to telecast 175 games yearly for a four-year period beginning in 1990. The baseball telecasts will be one of the most complex ongoing sports presentations in television history and represent a major financial commitment. In 1989, ESPN completed the final year of its three-year agreement with the National Football League. The NFL's first entry into cable proved to be a highly successful venture for both ESPN and the League. In early 1990, ESPN and the NFL reached agreement on a new four-year contract for the 1990 through 1993 seasons.

During the year, ESPN expanded its international activities by launching a sports programming service to Latin America and by entering into a joint venture agreement with several major Japanese concerns to launch a sports programming service in Japan. ESPN also owns a 25 percent interest in Screen Sport, a satellite-delivered sports service available throughout western Europe.

A&E, which is 38-percent-owned by the Company, is an entertainment and cultural programming network whose presentations continue to receive broad acceptance and critical acclaim. Lifetime, 33-percent-owned by the Company, is primarily programmed to serve women viewers. Both A&E and Lifetime continue to command increased viewer interest and advertiser support, and they have significantly increased their profitability. They also continue to enhance their programming offerings with original productions.

The Company's increased involvement overseas through Video Enterprises has led to the formation of Capital Cities/ABC Video Enterprises International. It is responsible for the international sales and licensing of ABC-owned entertainment, sports and news programs, as well as programs not produced for over-the-air television broadcast. In early 1989, the Company acquired a 50 percent interest in Tele-Munchen GmbH, a program production and distribution company headquartered in Munich, Germany. This European undertaking was supplemented in early 1990 with significant minority investment positions in two other production companies — Hamster Productions in Paris, France, and Tesauro S.A. in Madrid, Spain.

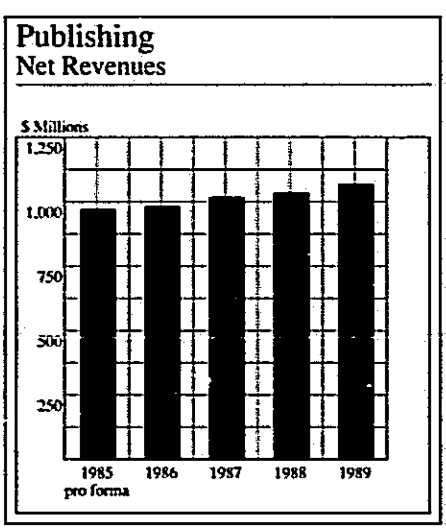
Video Enterprises' Development and Operations unit continues to identify business opportunities based on technological and market changes affecting the Company. The unit has developed a successful business in video publishing, and its investment in Indesys, which operates a high-speed data distribution network, continues to show promise. Additionally, in 1989, the Company acquired a 20 percent interest in In-Store Advertising, Inc., a firm that provides advertising and promotional messages to consumers via permanent electronic over-the-aisle billboard displays in supermarkets.

Publishing

The Publishing Group ended its three-year decline in profitability as 1989 operating income was up slightly from 1988. Net revenues of $1,057,400,000 were up 3 percent, and expenses of $927,000,000 were 4 percent higher, as summarized below:

(Dollars in millions)	1989	1988
Net revenues	$1,057.4	$ 1,023.9
Operating costs	891.5	858.1
Depreciation and amortization	35.5	36.1
Total costs	927.0	894.2
Operating income	$ 130.4	$ 129.7

Operating income for both the newspaper division and Fairchild Publications was up 8 percent, and ABC Publishing was up 7 percent. Declines elsewhere, and other factors, lowered the overall increase to 1 percent. The year was marked by 17 acquisitions that were initiated in 1989 and closed by early 1990 — the most in a single year in the Company's history. The purchase price of these acquisitions was approximately $73,000,000, of which $17,000,000 was completed in 1989. Nearly all the properties acquired were in markets the Company presently serves or adjacent to geographic areas where the Company already operates.



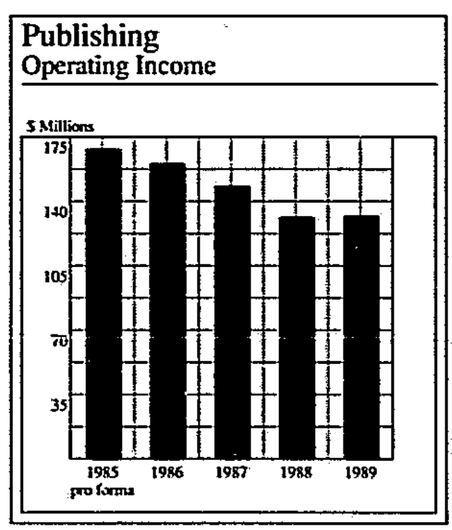
Specialized Publications

Net revenues of the Company's specialized publications were up 2 percent. Expenses increased 3 percent, and operating income declined 4 percent.

A slight revenue decline at Fairchild Publications was exceeded by a reduction in expenses, resulting in Fairchild's first profit increase in five years. Improvement in the fashion, metals and travel sectors more than offset declines elsewhere and investments in several repositionings and start-ups.

The Fairchild Fashion Group, created in January 1989, is comprised of all the fashion-related publications. Results exceeded expectations and operating income increased 21 percent over 1988. Improvements occurred at *Women's Wear Daily*, *Daily News Record*, *W* and *M*, while *Footwear News* and *SportStyle* declined modestly. At year-end, *Exposure*, a small Los Angeles-based visual lifestyle tabloid magazine still in a start-up mode and aimed at young adults, was acquired.

Several other Fairchild publications achieved gains in revenues and profits, including *HFD*, *American Metal Market*, *Metal Center News* and *Multichannel News*. *Travel Agent* and *Metalworking News* showed substantial



improvements after major 1988 product reinvestments. *Electronic News* and a repositioned *MIS Week* experienced difficult market conditions, but investments in both publications led to improved market shares. Revenues and profits of the International Medical News Group declined as a result of lower levels of new pharmaceutical product introductions.

Five magazines were acquired from International Thomson Retail Press in January 1990. *Cablevision* and *Communications Engineering and Design* will operate with Fairchild's *Multichannel News* in the newly formed Cable Group. Elements of *Consumer Electronics* and *Autosound & Communications* have been added to the HFD Group. Market leader *Video Business* will remain a stand-alone publication serving video retailers. Professional Press, publisher of books and magazines in the optical field, was sold in the spring of 1989.

In 1989, ABC Publishing achieved moderate growth in revenues, while profits increased over 7 percent.

The Chilton Company, the largest of the ABC Publishing operations, recorded another year-to-year profit increase. Revenues and costs declined as a result of the sale in June of *Modern Photography* and *High Fidelity*, two of the consumer magazines. During the year, Chilton acquired *Decorative Products World* and Warman Publishing, adding to its successful line of trade and book publications. The Chilton Research unit had a strong year. In 1989, both *Commercial Carrier Journal* and *Automotive Marketing* won the American Business Press coveted Neal Awards.

Word, Incorporated, a book and recorded-music publisher serving the inspirational market, completed another successful year in 1989, with revenues and operating income up substantially over the prior year. Both revenues and profits were at all-time highs. Word acquired Word Communications, Ltd., of Canada in 1989 and International Cassette Corporation in January 1990. Both of these acquisitions complemented Word's current operations. This past year, Word won over 51 percent of the Dove Awards at the Gospel Music Association Awards Ceremony.

The other ABC Publishing operations experienced mixed results. NILS (National Insurance Law Service) ended 1989 with another record year, with both revenues and operating income up over 1988. Despite higher 1989 revenues at *Los Angeles* magazine, operating income declined modestly due to investments in circulation, promotion and editorial. Hitchcock Publishing experienced slight revenue growth, with a decline in operating profits due to continued softness in the manufacturing industries served by its publications. The ABC Publishing Agricultural Group had a slight revenue increase, with operating income up substantially over the prior year. This performance was bolstered by a turnaround in the agricultural industry.

Institutional Investor's 1989 revenue and operating income continued to be adversely affected by the contraction in the financial services industry. *Institutional Investor* magazine and the newsletters achieved modest gains in revenues and operating income; but its conferences, membership organizations and research activities suffered significant declines and were consolidated in November. The magazine received an award from the Overseas Press Club of America for its acclaimed article, "Financing Perestroika."

Newspapers and Shopping Guides

A relatively sluggish advertising revenue environment for the Company's newspapers was more than offset by the favorable effect of lower newsprint prices. With newspaper revenues up 6 percent and expenses up 5 percent, operating income rose 8 percent. All but one of the dailies and most of the weeklies had higher operating income in 1989.

The Kansas City Star Company achieved new records for revenues and operating profits in 1989. The increase in revenue was almost entirely attributable to a circulation gain. Total advertising revenue was flat with 1988, despite a 4 percent decrease in in-paper advertising linage. Circulation increases were registered by the Saturday and Sunday editions. In October 1989, the Star announced the consolidation, effective March 1, 1990, of its morning and afternoon editions into a single morning newspaper, *The Kansas City Star*. The consolidation was prompted by the continued long-term circulation decline of the afternoon paper consistent with a nationwide trend toward dominance of morning newspapers. Excluding a one-time year-end charge associated with the planned consolidation, total 1989 expenses were less than 1988. *The Kansas City Star* received the John Hancock and Pannell Kerr Forster awards for a series on the Kansas City economy. A series of articles on the changing relationship between Mexico and the United States earned the newspaper the National Press Club's Edwin Hood award.

A 6 percent revenue increase at the *Fort Worth Star-Telegram* resulted in the second highest operating cash flow in its history. Daily circulation remained relatively flat, but Sunday circulation reached new highs. In September, the country's first locally produced weekly newspaper for children was launched. Other significant product improvements in 1989 included a larger, improved TV guide, an expanded Friday entertainment tabloid, and daily zoning of news and advertising in eastern Tarrant County. The *Star-Telegram* continued its tradition of excellence among Texas newspapers as it captured top awards in all categories in statewide competitions.

The Oakland Press in Pontiac, Michigan, reported 1989 profits slightly ahead of its previous record. Sunday circulation hit a new high. A merger of the two Detroit newspapers in November improved circulation and advertising opportunities of the newspaper. A $9,000,000 offset press installation was completed. In January 1990, the Company completed the purchase of the *County Press*, a 20,000-circulation paid weekly in adjoining Lapeer County.

A modest increase in revenues at the *Belleville News-Democrat* was not sufficient to offset the added expenses associated with expansion into East St. Louis and adjoining Madison County, resulting in the first decline in year-to-year profits since the paper was acquired in 1972. Year-end circulation passed 50,000 daily. Legal Communications Corporation, publisher of two legal dailies in the city and county of St. Louis, had an outstanding year. The weekly group, led by the *Highland News-Leader*, had profit growth. In January 1990, the Quad County group of four small weeklies southeast of Belleville was acquired.

The Times Leader in Wilkes-Barre, Pennsylvania, recorded an 8 percent increase in revenue and a substantial gain in operating income. The improvement was fueled by circulation growth, particularly that of the two-year-old Sunday edition, and by introduction of a new insert/mail program for advertisers.

The New England newspaper group was adversely affected in 1989 by a depressed real estate market and a sluggish local economy. Combined profits of the Connecticut operations were down, but those in Rhode Island were up. In March 1989, Mariner Newspapers, consisting of 17 weeklies south of Boston, was acquired. Late in 1989, shopping guides were purchased in northwest Connecticut and Plymouth, Massachusetts. In early 1990, the Company acquired Imprint (which operates 13 weeklies in the Hartford market and a commercial printing operation), the *Milford Citizen* (publisher of an 8,000-circulation daily and a 10,000-circulation Sunday newspaper in Milford, Connecticut, and several weeklies), and the *Pennysaver of Cape Cod*. The New England newspaper group now reaches 700,000 households each week.

The Oregon newspaper group of two small dailies and six weeklies had a record year, with profits up 13 percent on a 7 percent revenue gain. Two weeklies, the *Gresham Outlook* and *Springfield News*, won general excellence awards for newspapers their size in statewide competitions.

Sutton Industries, headquartered in Laguna Niguel, California, had a modest decline in operating income and profit margin due to competitive factors. Sutton distributes over 1,700,000 copies of the weekly *Pennysaver* in southern and northern California. Significant improvements in automation were made in 1989 with completion of a single-sheet press installation in all markets and the addition of inserting equipment in the mailrooms. A new 50,000-square-foot production facility was brought on line in October in Sacramento. In 1989, Sutton acquired *Magic Ads*, a want-ad publication serving Sacramento and Stockton.

Soft advertising revenues as well as one-time expenses associated with closing the branch in Topeka, Kansas, depressed earnings for *Pennypower Shopping News*, operating in Wichita, Kansas, and in Springfield, Missouri. The "Nickel" publications in Seattle-Tacoma and Spokane, Washington, and in Portland, Oregon, enjoyed a record year in 1989 with good revenue and earnings improvements. Over 500,000 of these popular want-ad publications are distributed each week in the three markets.

Financial Overview

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

Results of Operations — 1989 Compared to 1988

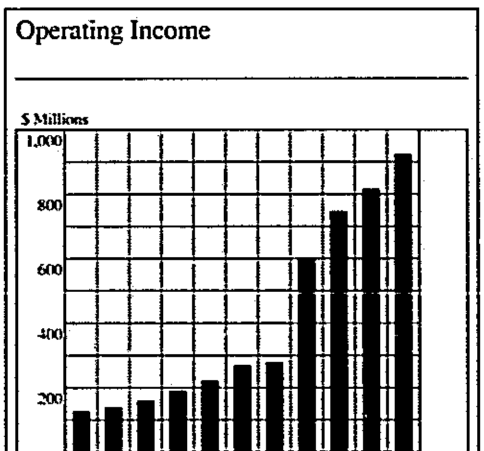
Consolidated net revenues for 1989 were $4,957,394,000, compared with $4,773,453,000 in 1988, a 4% increase. Broadcasting net revenues for 1989 were $3,899,989,000, compared with $3,749,557,000 in 1988, representing a 4% increase. Publishing Group net revenues increased 3%, from $1,023,896,000 in 1988 to $1,057,405,000 in 1989.

Net revenues in 1989 for the ABC Television Network increased slightly as a result of strong advertising demand in the second half of the year which offset the impact of the incremental revenues from the 1988 telecasts of the Winter Olympics and the Super Bowl. Revenues for ESPN increased significantly, while television station and radio revenues increased moderately. Publishing revenues increased 3%, with the newspaper operations accounting for most of the gain.

Total costs and expenses for 1989 were $4,034,882,000, compared with $3,957,424,000 in 1988, a 2% increase. Excluding purchase price adjustments, total costs and expenses for the Company were slightly lower than in 1988. Broadcasting costs in 1989 (excluding purchase price adjustments) decreased 2% from 1988. Costs and expenses for the ABC Television Network decreased, primarily as a result of the absence of production and rights costs associated with the 1988 telecast of the Winter Olympic Games offset by increased prime-time programming (partially a result of the 1988 Writers Guild strike) and news-gathering expenses. Costs for the Company's other broadcasting operations increased moderately, principally due to higher programming, selling and administrative expenses. Costs and expenses in 1989 for the Company's publishing operations increased 4% from 1988. This increase was primarily due to higher selling and administrative expenses and a charge associated with the planned merger of the morning and afternoon newspapers in Kansas City into a single morning newspaper. Publishing expenses were favorably impacted in 1989 by the reduced cost of newsprint and by the mid-year disposition of two consumer magazines.

Operating income for 1989 was $922,512,000, compared with $816,029,000 in 1988, a 13% increase. Broadcasting operations reported a 16% increase. The ABC Television Network reported significantly improved earnings (excluding purchase price adjustments) in 1989, compared with a slight loss in 1988. Operating earnings for ESPN were substantially ahead of 1988, while the television stations and radio operations reported moderate increases. Publishing earnings improved slightly in 1989, with gains for the newspapers being offset by declines for several of the specialized publications.

Results for 1989 and 1988 reflect a reduction in entertainment programming and sports rights at the ABC Television Network from historic costs to fair market values recorded in connection with the acquisition of ABC of $92,000,000 and $191,000,000, respectively.



These reduced costs (net of income taxes) benefited per share earnings by $3.10 and $6.60 in 1989 and 1988, respectively. The Company anticipates the effect of such reductions will be approximately $20,000,000 in 1990 ($0.70 per share, net of income taxes) and immaterial amounts in 1991 and thereafter. Results for 1989 and 1988 also include a charge of $3.57 per share and $3.70 per share, respectively, for amortization of all intangible assets.

Net financial expense (interest expense less interest income) for 1989 decreased $57,100,000 from 1988. This net decline resulted primarily from increased interest income of $49,155,000 due to significantly higher levels of cash investments resulting from the 1988 exercise of warrants (issued in connection with the acquisition of ABC in 1986) and accumulated cash flow from operations. Interest of $11,183,000 and $10,304,000 was capitalized in 1989 and 1988, respectively. The Company's effective tax rate was 42.9% in 1989 and 43.7% in 1988.

Consolidated net income for 1989 amounted to $485,727,000, an increase of 25% from the $387,076,000 earned in 1988. Earnings per share for 1989 were $27.25, a 22% gain over the $22.31 reported in 1988. Average shares outstanding for 1989 were 17,825,000 compared with 17,350,000 in 1988, the increase primarily reflecting the 1988 exercise of warrants partially offset by repurchases of the Company's common stock in 1989.

Results of Operations — 1988 Compared to 1987

Consolidated net revenues for 1988 (52-week year ending January 1, 1989) were $4,773,453,000, compared with $4,440,346,000 in 1987 (53-week year ending January 3, 1988), an 8% increase. Broadcasting net revenues for 1988 were $3,749,557,000, compared with $3,433,749,000 in 1987, a 9% increase. Publishing Group net revenues increased only 2%, from $1,006,597,000 in 1987 to $1,023,896,000 in 1988. On a comparable 52-week basis, consolidated net revenues increased 9% in 1988.

Net revenues in 1988 for the ABC Television Network, on a comparable 52-week basis, increased 10% compared with 1987, primarily as a result of the telecasts of the 1988 Winter Olympic Games and the Super Bowl. Local advertising strength at several major-market television stations and a strong performance at ESPN also contributed to the 1988 increase in broadcasting revenues. The Company's radio operations reported modest revenue gains in 1988. Newspaper revenues increased moderately, principally as a result of increased classified advertising and insert revenue. These gains, however, were largely offset by advertising shortfalls at certain of the specialized business and consumer publications.

Total costs and expenses for 1988 were $3,957,424,000, compared with $3,694,356,000 in 1987, a 7% increase. Excluding purchase price adjustments and the 53rd week in 1987, total costs and expenses for the Company increased 10%. Broadcasting costs in 1988 (excluding purchase price adjustments and the 53rd week) increased 12% from 1987. Virtually all of the increase in broadcasting expenses was related to costs associated with the telecasts of special-event programming such as the Winter Olympic Games, the *War & Remembrance* mini-series and coverage of the presidential election campaign. Costs at the ABC Television Network were favorably influenced by the impact of expense savings associated with the delay in the start of the fall prime-time season as a result of the Writers Guild strike. Costs and expenses in 1988 for the Company's publishing operations were 4% higher than 1987. Higher postage and paper expense and investment spending in start-up publications were responsible for much of the increase.

Operating income for 1988 was $816,029,000, compared with $745,990,000 in 1987, a 9% increase. Broadcasting operations reported a 14% increase, while publishing operations declined 12%. Results for 1988 and 1987 reflect a reduction in entertainment programming and sports rights at the ABC Television Network from historic costs to fair market values recorded in connection with the acquisition of ABC of $191,000,000 and $120,000,000, respectively. These reduced costs (net of income taxes) benefited per share earnings by $6.60 and $3.85 in 1988 and 1987, respectively. The Company anticipated the effect of such reductions would be approximately $90,000,000 in 1989 ($3.00 per share, net of income taxes) and immaterial amounts in 1990 and thereafter. Results for 1988 and 1987 include a charge of $3.03 per share and $3.13 per share, respectively, for amortization of intangible assets arising from the ABC acquisition. The effect of the amortization of all intangible assets of the Company was to reduce earnings per share by $3.70 and $3.86 in 1988 and 1987, respectively.

Net financial expense (interest expense less interest income) for 1988 decreased $45,762,000 from 1987. This net decline resulted primarily from higher interest income due to a substantially increased level of cash invested at higher interest rates. Interest of $10,304,000 and $8,067,000 was capitalized in 1988 and 1987, respectively.

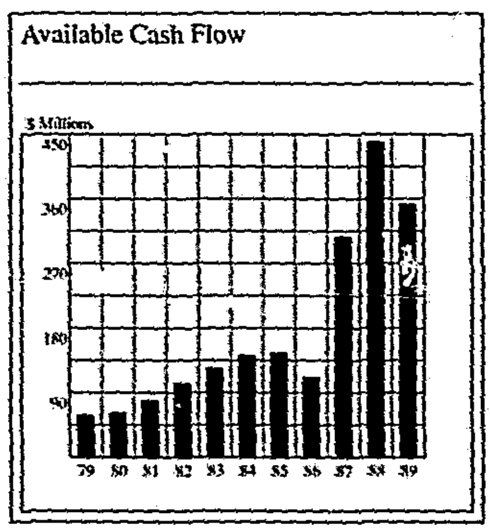
The Company's effective tax rate was 43.7% in 1988 and 50.5% in 1987. The reduction in the effective tax rate is primarily due to a reduction in the Federal tax rate prescribed by the Tax Reform Act of 1986.

Consolidated net income for 1988 amounted to $387,076,000, an increase of 39% from the $279,078,000 earned in 1987. Earnings per share for 1988 were $22.31, a 36% gain over the $16.46 reported in 1987. Average shares outstanding for 1988 were 17,350,000 compared with 16,950,000 in 1987, the increase primarily reflecting the exercise of warrants issued in connection with the acquisition of ABC.

Available Cash Flow

Available cash flow is defined by the Company as cash from operations before changes in operating assets and liabilities, less amounts reinvested in such operations for capital expenditures and program licenses and rights. Unlike most industrial companies, the Company has historically not been required to reinvest large amounts of capital each year in physical assets, inventories and program licenses and rights to maintain the same level of operations. In 1989, the Company's available cash flow was $353,255,000, a decline of $86,459,000, or 20%, from the $439,714,000 reported in 1988.

In 1989, cash from operations before changes in operating assets and liabilities increased $142,636,000. However, this increase was more than offset by an increase in capital spending of $40,129,000, along with increased net investment in program licenses and rights of $188,966,000. The increase in capital spending was principally due to the purchase of satellite transponders by the ABC Television Network and ESPN (further described in the following section, "Capital Expenditures and Program Commitments"). A strike by the Writers Guild of America delayed the 1988 delivery of television network prime-time entertainment series,



which caused a significant shift in programming payments from 1988 to 1989. This, along with the excess of rights payments over expense amortization for the last year of the ABC Television Network's Major League Baseball contract and a partial payment by ESPN in 1989 for the acquisition of cable television rights for Major League Baseball (starting in 1990), was primarily responsible for the increased net investment in program licenses and rights.

The Company's available cash flows have historically been almost equal to or higher than reported net income. In 1989, however, net income exceeded available cash flow by $132,472,000. The continued generation of such available cash flow has allowed the Company to make selective acquisitions, invest in new business start-ups, reduce debt and, when deemed appropriate, repurchase its common stock. The continued judicious employment of available cash flow should enhance the Company's future growth in earnings and stockholders' equity, and enable it to reduce outstanding debt.

The available cash flow for 1989 of $353,255,000 was increased by $60,125,000 from other sources and resulted in total cash provided of $413,380,000. The purchase of $232,849,000 of common stock for treasury, acquisitions of operating properties of $81,465,000 and the increase in working capital and other applications of $92,056,000, resulted in total cash applied of $406,370,000. The excess of cash provided over cash applied resulted in an increase of $7,010,000 in cash and cash investments from January 1, 1989.

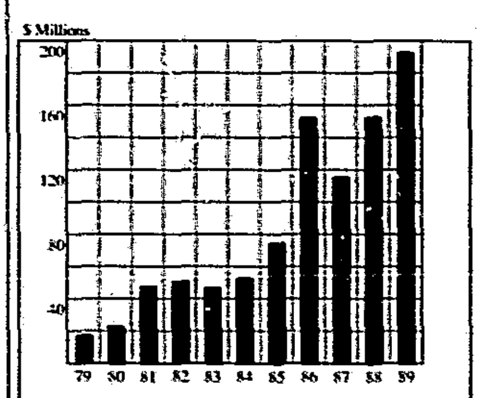
Capital Expenditures and Program Commitments

In 1989, capital expenditures amounted to $193,542,000, compared with $153,413,000 in 1988. The largest portion of 1989 spending was in the Company's broadcasting operations where $173,100,000 was spent. Of this amount, the ABC Television Network and ESPN spent approximately $70,000,000 for the purchase of second generation satellite transponders. This 1989 expenditure came as a result of an opportunity to take advantage of a financially attractive alternative by prepaying for satellite transponders for delivery starting in 1992. Also, $31,500,000 was spent for the completion of the new network and headquarters building and $21,000,000 for other facilities improvements, including expansion of ABC Television Network studios and the construction of new radio station facilities in New York. The remaining $50,600,000 was for broadcast equipment to support current operations. In 1989, the Publishing Group spent $13,000,000 for ongoing operations, with a mailroom renovation at the Kansas City newspaper representing the largest expenditure.

The Company anticipates that 1990 capital expenditures will approximate $150,000,000. This amount includes $39,000,000 for facilities improvements and an additional $14,000,000 for transponders at ESPN. Expenditures for broadcast and publishing equipment to support ongoing operations are expected to be $97,000,000, which approximates annual depreciation expense.

As the operator of the ABC Television Network, ESPN and eight television stations,

Capital Expenditures



the Company will continue to enter into programming commitments to purchase the broadcast rights for various feature films, sports events and other programming. Total commitments to purchase broadcast programming were approximately $3,208,000,000 at the end of 1989. This amount includes the ABC Television Network and ESPN commitments to the National Football League and the Network's commitment to the College Football Association, all made in early 1990. This amount is substantially payable over the next five years.

The Company plans to fund its operations and commitments from internally generated funds and, if needed, from various external sources of funds which are available.

Capital Structure

The Company's capital structure is made up of four components: stockholders' equity, interest-bearing debt, minority interest and deferred income taxes.

Stockholders' equity amounted to $3,291,860,000 at December 31, 1989, an increase of $266,355,000 from the 1988 year-end total of $3,025,505,000. The increase was primarily attributable to the addition of $485,727,000 of net income offset by $232,849,000 of purchases of common stock to be held as treasury shares.

At December 31, 1989, total interest-bearing debt was $1,695,071,000, a net increase of $1,528,000 from 1988. Total interest-bearing debt at December 31, 1989 includes $100,000,000 of commercial paper supported by a $1,000,000,000 bank revolving credit agreement, $1,575,000,000 of public and privately placed notes and debentures and $20,071,000 of other long-term debt. At December 31, 1989, the weighted average interest rates of the commercial paper and of all other long-term instruments was 8.5% and 10.3%, respectively.

The Company's debt to total capital ratio at the end of each of the last five years was as follows:

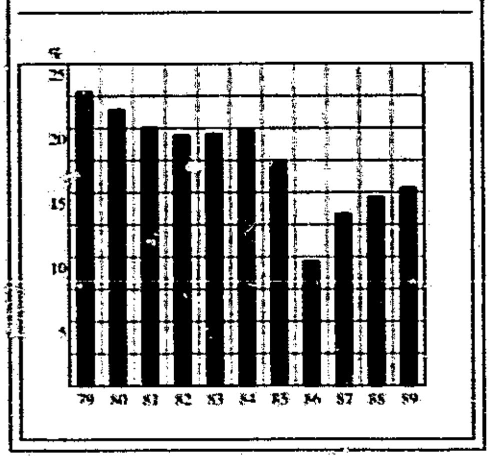
(Dollars in millions)	Debt	Total capital	Ratio
1989	$1,695.1	$5,221.9	32%
1988	$1,693.5	$4,948.5	34%
1987	$1,696.9	$4,128.9	41%
1986	$1,821.8	$3,964.7	46%
1985	$ 714.3	$1,644.7	43%

Return on Equity

Return on equity is an important measurement of the effectiveness with which the stockholders' equity is being employed. It is expressed as the percentage relationship that net income (before extraordinary items) bears to average stockholders' equity. The Company's return on average stockholders' equity was 15.4% in 1989 and 14.7% in 1988.

The Company's return on equity has benefited both from its historical ability to finance its growth from internally generated capital and debt rather than new equity capital, and from its program of repurchasing its common stock. In 1986, the return on equity decreased substantially as a result of transactions related to the acquisition of ABC. The significant resulting decline in

Return on Equity



return on equity was reversed beginning in 1987 as the Company's historical operating patterns returned.

On May 19, 1988, the Board of Directors of the Company authorized the repurchase of up to 1,000,000 shares of the Company's common stock. The repurchases will continue to be made from time to time in the open market at prices then prevailing. As of February 28, 1990, the Company has repurchased 736,000 shares of its common stock under this authorization.

Intangible Assets

At December 31, 1989, the Company's intangible assets, before accumulated amortization, totaled \$2,507,272,000 which accounted for approximately 40% of the Company's total assets.

Intangible assets represent the excess of the purchase price over the underlying fair market value of tangible assets acquired. In accordance with *Accounting Principles Board Opinion No. 17*, the Company amortizes substantially all intangible assets over 40 years. This practice is arbitrarily mandated by *Opinion No. 17* without regard to whether these assets have or have not declined in value.

All of the Company's intangible assets have resulted from the acquisition of broadcasting and publishing properties. Historically, such intangible assets have substantially increased in value and have long and productive lives. We believe that the Company's intangible assets have appreciated in value, and that the requirements of *Opinion No. 17* when applied to such publishing and broadcasting assets, understate net income and stockholders' equity. The amortization of intangible assets had the effect of reducing 1989 net income by \$63,634,000, or \$3.57 a share. The amortization of substantially all intangible assets is not a deductible item in computing income taxes.

Financial Summary 1979-1989

(Dollars in thousands except per share data)

	1989	1988	1987
RESULTS FOR THE YEAR			
Net revenues			
Broadcasting	$3,899,989	$3,749,557	$3,433,749
Publishing	1,057,405	1,023,896	1,006,597
Total	4,957,394	4,773,453	4,440,346
Operating income			
Broadcasting	$ 836,149	$ 722,171	$ 632,910
Publishing	130,444	129,720	146,717
Income from operations	966,593	851,891	779,627
General corporate expense	(44,081)	(35,862)	(33,637)
Total	922,512	816,029	745,990
Income before extraordinary items (a)	$ 485,727	$ 387,076	$ 279,078
Income per share before extraordinary items (a)	$27.25	$22.31	$16.46
Cash dividends per common share	$ 0.20	$ 0.20	$ 0.20
Average shares (000's omitted)	17,825	17,350	16,950
Return on average stockholders' equity (b)	15.4%	14.7%	13.4%
SELECTED CASH FLOW DATA			
Cash provided			
Operations, before changes in operating assets and liabilities	$ 701,269	$ 558,633	$ 468,380
Available cash flow (c)	353,255	439,714	307,737
Proceeds from issuance of long-term debt	2,200	500	—
Proceeds from disposition of operating companies	7,490	19,072	—
Cash applied			
Acquisition of operating companies	$ 81,465	$ 18,143	$ 13,248
Common stock purchased for treasury	232,849	3,644	576
Capital expenditures	193,542	153,413	116,309
Reduction of long-term debt	1,556	3,458	124,904
Dividends	3,538	3,427	3,231
AT YEAR-END			
Working capital	$1,735,617	$1,504,954	$ 640,574
Total assets	6,359,507	6,088,871	5,378,372
Long-term debt	1,695,071	1,693,543	1,696,901
Stockholders' equity	3,291,860	3,025,505	2,224,921
Number of shares outstanding (000's omitted)	17,534	17,999	16,193
Price range of common stock			
Closing market price	$564¼	$362¼	$345
High for the year	568	369¾	450
Low for the year	353	297	267¼

(a) Extraordinary items amounted to $265,746,000 ($16.35 per share) in 1986, $7,585,000 ($0.58 per share) in 1984 and $2,430,000 ($0.18 per share) in 1980.

(b) Income before extraordinary items divided by average stockholders' equity.

(c) Cash provided from operations before changes in operating assets and liabilities, less amounts reinvested for capital expenditures and program licenses and rights.

1986	1985	1984	1983	1982	1981	1980	1979
$3,153,619	$ 378,297	$ 348,106	$ 302,785	$274,298	$214,498	$167,010	$151,327
970,755	642,583	591,616	459,510	389,282	359,286	305,098	263,563
4,124,374	1,020,880	939,722	762,295	663,580	573,784	472,108	414,890
$ 474,535	$ 150,970	$ 144,182	$ 124,696	$117,906	$ 99,134	$ 85,394	$ 80,319
158,999	138,512	133,179	104,034	79,010	67,520	58,186	50,668
633,534	289,482	277,361	228,730	196,916	166,654	143,580	130,987
(30,856)	(11,981)	(9,849)	(8,366)	(7,128)	(7,468)	(6,205)	(5,334)
602,678	277,501	267,512	220,364	189,788	159,186	137,375	125,653
$ 181,943	$ 142,222	$ 135,193	$ 114,704	$ 96,317	$ 80,518	$ 70,783	$ 63,758
$11.20	$10.87	$10.40	$8.53	$7.25	$6.12	$5.38	$4.68
$ 0.20	$ 0.20	$ 0.20	$0.20	$0.20	$0.20	$0.20	$0.20
16,250	13,080	13,000	13,455	13,280	13,150	13,165	13,615
9.7%	17.5%	19.9%	19.6%	19.5%	20.1%	21.5%	22.9%
$ 268,162	$ 223,296	$ 196,600	$ 169,363	$137,529	$108,208	$ 86,589	$ 77,888
112,343	146,179	142,734	124,945	103,677	79,940	62,978	59,710
1,350,507	493,329	18,065	202,527	1,944	111,640	3,834	1,900
703,378	7,222	5,000	3,200	—	13,808	—	—
$3,162,661	$ 51,109	$ 146,843	$ 22,016	$ 21,588	$157,128	$ 32,308	—
1,075	484	46,135	43,619	676	125	14,753	$ 24,736
153,082	75,384	53,866	47,595	51,651	48,634	23,611	18,178
367,528	7,872	16,030	32,766	55,867	67,935	23,122	26,928
3,219	2,595	2,570	2,656	2,627	2,603	2,573	2,669
$ 416,230	$ 830,986	$ 240,985	$ 265,847	$ 16,353	$ 4,288	$ 35,408	$ 34,428
5,191,416	1,884,931	1,208,172	1,052,912	776,013	697,620	519,958	473,134
1,821,805	714,298	222,995	220,960	48,449	102,372	58,667	77,955
1,948,627	889,260	734,455	625,255	544,267	443,822	359,081	298,497
16,126	12,998	12,867	13,103	13,180	13,025	12,902	13,058
$267½	$224½	$164⅞	$144	$119⅝	$73¾	$58¾	$48⅝
279¾	229	174½	157½	136¾	80½	72	49⅞
208¾	152¼	123½	114¾	64¾	56½	40	36⅞

Consolidated Statement of Income

(Dollars in thousands except per share amounts)

	1989	1988	1987
Net revenues	**$4,957,394**	$4,773,453	$4,440,346
Costs and expenses			
Direct operating expenses	**2,867,518**	2,908,481	2,664,444
Selling, general and administrative	**1,009,765**	889,110	871,606
Depreciation	**93,965**	95,705	92,900
Amortization of intangible assets	**63,634**	64,128	65,406
	4,034,882	3,957,424	3,694,356
Operating income	**922,512**	816,029	745,990
Other income (expense)			
Interest expense	**(174,417)**	(182,362)	(190,806)
Interest income	**102,247**	53,092	15,774
Miscellaneous, net	**785**	517	(6,980)
	(71,385)	(128,753)	(182,012)
Income before income taxes	**851,127**	687,276	563,978
Income taxes			
Federal	**295,100**	241,500	235,400
State and local	**70,300**	58,700	49,500
	365,400	300,200	284,900
Net income	**$ 485,727**	$ 387,076	$ 279,078
Net income per share	**$27.25**	$22.31	$16.46
Average shares outstanding (000's omitted)	**17,825**	17,350	16,950

See accompanying notes

Consolidated Statement of Cash Flows

(Dollars in thousands)

	1989	1988	1987
Cash flows from operating activities			
Net income	$ 485,727	$ 387,076	$279,078
Adjustments to reconcile net income to net cash			
Noncash and nonoperating items			
Depreciation	93,965	95,705	92,900
Amortization of intangible assets	63,634	64,128	65,406
Increase in deferred liabilities	57,058	9,866	16,029
Other noncash items	885	1,858	14,967
Cash from operations before changes in operating assets and liabilities	701,269	558,633	468,380
(Increase) decrease in program assets and liabilities, net	(154,472)	34,494	(44,334)
(Increase) decrease in accounts receivable	(86,692)	(1,107)	86,874
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	30,267	(34,506)	48,044
(Increase) in other operating assets, net	(30,537)	(19,483)	(30,642)
Net cash provided by operating activities	459,835	538,031	528,322
Cash flows from investing activities			
Capital expenditures	(193,542)	(153,413)	(116,309)
Acquisition of operating companies	(81,465)	(18,143)	(13,248)
Other investing activities, net	40,910	23,339	46,744
Net cash used in investing activities	(234,097)	(148,217)	(82,813)
Cash flows from financing activities			
Common stock purchased for treasury	(232,849)	(3,644)	(576)
Dividends	(3,538)	(3,427)	(3,231)
Reduction of long-term debt	(1,556)	(3,458)	(124,904)
Net proceeds (payments) from common stock warrant activity	—	407,604	(12,120)
Other financing activities	19,215	13,475	13,143
Net cash (used in) provided by financing activities	(218,728)	410,550	(127,688)
Net increase in cash and short-term cash investments	7,010	800,364	317,821
Cash and short-term cash investments			
Beginning of period	1,133,994	333,630	15,809
End of period	$1,141,004	$1,133,994	$333,630

See accompanying notes

Consolidated Balance Sheet

December 31, 1989 and January 1, 1989
(Dollars in thousands)

Assets	**1989**	**1988**
Current assets		
Cash	**$ 37,339**	$ 25,714
Short-term cash investments	**1,103,665**	1,108,280
Accounts and notes receivable (net of allowance for doubtful accounts of $36,135 in 1989 and $37,702 in 1988)	**784,095**	694,955
Program licenses and rights	**410,019**	375,273
Other current assets	**200,456**	166,927
Total current assets	**2,535,574**	2,371,149
Property, plant and equipment, at cost		
Land	**400,665**	399,400
Buildings and improvements	**583,510**	495,313
Broadcasting and publishing equipment	**560,292**	512,427
Other, including construction-in-progress	**199,300**	165,174
	1,743,767	1,572,314
Less accumulated depreciation	**451,601**	376,433
Property, plant and equipment, net	**1,292,166**	1,195,881
Intangible assets (net of accumulated amortization of $300,220 in 1989 and $236,848 in 1988)	**2,207,052**	2,217,367
Program licenses and rights, noncurrent	**180,760**	181,614
Other assets	**143,955**	122,860
	$6,359,507	$6,088,871

See accompanying notes

Liabilities and Stockholders' Equity	1989	1988
Current liabilities		
Accounts payable	$ 87,226	$ 67,667
Accrued compensation	107,080	112,246
Accrued interest	55,457	55,778
Accrued expenses and other current liabilities	198,628	213,511
Program licenses and rights	157,967	265,383
Taxes on income	190,725	150,084
Long-term debt due within one year	2,874	1,526
Total current liabilities	799,957	866,195
Deferred compensation	130,604	64,117
Deferred income taxes	159,407	168,836
Unearned subscription revenue	42,346	43,090
Program licenses and rights, noncurrent	59,152	72,316
Other liabilities	108,456	96,204
Long-term debt due after one year	1,692,197	1,692,017
Total liabilities	2,992,119	3,002,775
Minority interest	75,528	60,591
Stockholders' equity		
Preferred stock, no par value (4,000,000 shares authorized)	—	—
Common stock, $1 par value (80,000,000 shares authorized)	18,394	18,394
Additional paid-in capital	970,906	961,647
Retained earnings	2,583,382	2,101,193
	3,572,682	3,081,234
Less common stock in treasury, at cost (859,633 shares in 1989 and 394,073 shares in 1988)	280,822	55,729
Total stockholders' equity	3,291,860	3,025,505
	$6,359,507	$6,088,871

Consolidated Statement of Stockholders' Equity

(Dollars in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance December 28, 1986	$18,394	$647,021	$1,441,697	$(158,485)	$1,948,627
Net income for 1987	—	—	279,078	—	279,078
205,478 warrants purchased	—	(13,888)	—	—	(13,888)
7,072 warrants exercised	—	1,567	—	201	1,768
33,893 shares issued under Employee Stock Purchase Plan	—	6,374	—	960	7,334
26,728 shares issued on exercise of employee stock options	—	5,050	—	759	5,809
1,407 shares purchased for treasury	—	—	—	(576)	(576)
Cash dividends	—	—	(3,231)	—	(3,231)
Balance January 3, 1988	18,394	646,124	1,717,544	(157,141)	2,224,921
Net income for 1988	—	—	387,076	—	387,076
541,016 warrants purchased	—	(34,266)	—	—	(34,266)
1,767,478 warrants exercised	—	339,451	—	102,419	441,870
27,701 shares issued under Employee Stock Purchase Plan	—	7,215	—	996	8,211
22,432 shares issued on exercise of employee stock options	—	3,123	—	1,641	4,764
10,727 shares purchased for treasury	—	—	—	(3,644)	(3,644)
Cash dividends	—	—	(3,427)	—	(3,427)
Balance January 1, 1989	18,394	961,647	2,101,193	(55,729)	3,025,505
Net income for 1989	—	—	485,727	—	485,727
20,930 shares issued under Incentive Compensation Plan	—	4,593	—	2,900	7,493
22,246 shares issued under Employee Stock Purchase Plan	—	3,744	—	2,917	6,661
14,705 shares issued on exercise of employee stock options	—	922	—	1,939	2,861
523,441 shares purchased for treasury	—	—	—	(232,849)	(232,849)
Cash dividends	—	—	(3,538)	—	(3,538)
Balance December 31, 1989	$18,394	$970,906	$2,583,382	$(280,822)	$3,291,860

See accompanying notes

1. Accounting Policies

Principles of Consolidation — The consolidated financial statements include the accounts of all significant subsidiaries. Investments in other companies which are at least 20% owned are reported on the equity method. All significant intercompany accounts and transactions have been eliminated.

Property, Plant and Equipment — Depreciation — Depreciation is computed on the straight-line method for financial accounting purposes and on accelerated methods for tax purposes. Estimated useful lives for major asset categories are 10-55 years for buildings and improvements, 4-20 years for broadcasting equipment and 5-20 years for publishing machinery and equipment. Leasehold improvements are amortized over the terms of the leases.

Intangible Assets — Intangible assets consist of amounts by which the cost of acquisitions exceeded the values assigned to net tangible assets. The broadcasting and publishing intangible assets, all of which may be characterized as scarce assets with very long and productive lives, have historically increased in value with the passage of time. In accordance with *Accounting Principles Board Opinion No. 17*, substantially all of these intangible assets are being amortized over periods of up to 40 years, even though in the opinion of management there has been no diminution of value of the underlying assets.

Program Licenses and Rights — Program licenses and rights and the related liabilities are recorded when the license period begins and the program is available for use. Television network and station rights for theatrical movies and other long-form programming are charged to expense primarily on accelerated bases related to the usage of the program. Television network series costs are charged to expense based on the flow of anticipated revenue. Sports rights are generally charged to expense when the event is telecast.

Unearned Subscription Revenue — Subscription revenue is recorded as earned over the life of the subscriptions. Costs in connection with the procurement of subscriptions are generally charged to expense as incurred.

Capitalized Interest — Interest is capitalized in accordance with *Financial Accounting Standards Board Statement No. 34.* As a result, $11,183,000, $10,304,000, and $8,067,000 was capitalized in 1989, 1988 and 1987, respectively.

Short-term Cash Investments — Short-term investments which have a maturity of three months or less at the time of purchase are considered cash equivalents.

Reporting Year — The Company's reporting year is a fiscal year ending the Sunday closest to December 31. Results for 1989 and 1988 are for the 52-week years ended December 31, 1989 and January 1, 1989, respectively, and for 1987 for the 53-week year ended January 3, 1988.

2. Acquisitions

During 1989, the Company completed the acquisition of Satellite Music Network, Inc. which provides music programming live via satellite to radio stations. In addition, the Company purchased a 50% interest in Tele-Munchen GmbH, a Munich, Germany-based production and distribution company, and also acquired several publishing operations. The combined cash purchase price for these acquisitions was $81,465,000. During 1988 and 1987, the Company completed several acquisitions for a combined cash purchase price of $18,143,000 and $13,248,000, respectively.

Notes to Consolidated Financial Statements—(Continued)

3. Income Per Share

The calculation of average common shares and common share equivalents outstanding during the year is as follows (000's omitted):

	1989	1988	1987
Common shares	17,753	16,965	16,165
Stock options	72	75	90
Warrants	—	310	695
Total	17,825	17,350	16,950

4. Shareholder Rights Plan

In December 1989, the Company adopted a Shareholder Rights Plan. The Plan becomes operative in certain events involving the acquisition of 20% or more of the Company's common stock by any person or group in transactions not approved by the Company's Board of Directors. In the case of Berkshire Hathaway Inc., pursuant to an existing agreement, the threshold for activation of the Rights Plan is the acquisition of more than 30% of the Company's common stock. Upon the occurrence of such an event, each Right, unless redeemed by the Board, entitles its holder to purchase at the Right's exercise price of $2,000, a number of common shares of the Company, or in certain circumstances the acquiring company's common shares, having a market value of twice that price. The Rights expire in 1999.

5. Commitments

At December 31, 1989, the Company is committed to the purchase of broadcast rights for various feature films, sports events and other programming aggregating approximately $3,208,000,000. This amount includes the ABC Television Network and ESPN commitments to the National Football League and the Network's commitment to the College Football Association, all made in early 1990.

The aggregate payments related to these commitments during the next five years are summarized as follows:

1990 — $870,582,000; 1991 — $647,154,000;
1992 — $682,394,000; 1993 — $693,724,000;
1994 — $176,642,000.

The Company anticipates 1990 capital expenditures for property, plant and equipment will approximate $150,000,000.

Rental expense under operating leases amounted to $86,498,000, $88,008,000 and $85,678,000 for 1989, 1988 and 1987, respectively.

Future minimum annual rental payments under noncancelable leases are as follows (000's omitted):

	Capital leases	Operating leases
1990	$ 5,573	$ 67,972
1991	7,376	61,358
1992	6,946	50,103
1993	6,347	35,403
1994	5,845	24,322
1995 and thereafter	156,348	137,469
Minimum lease payments	188,435	$376,627
Imputed interest	(120,825)	
Present value of minimum lease payments	$ 67,610	

Total minimum payments for operating leases have not been reduced for future minimum sublease rentals aggregating $53,126,000.

6. Long-Term Debt

Long-term debt at December 31, 1989 and January 1, 1989, is as follows (000's omitted):

	1989	1988
Commercial paper supported by bank revolving credit agreement	$ 100,000	$ 100,000
10.8% Senior Notes due 1994, with annual sinking fund payments of $93,750 beginning in 1991	375,000	375,000
8¼% notes due 1996	200,000	200,000
10½% notes due 1997	200,000	200,000
11¾% subordinated debentures due 2013, with annual sinking fund payments beginning in 1994	200,000	200,000
11⅝% debentures due 2015, with annual sinking fund payments beginning in 1996	300,000	300,000
8¾% debentures due 2016, with annual sinking fund payments beginning in 1997	300,000	300,000
Other long-term debt	20,071	18,543
	$1,695,071	$1,693,543

The aggregate payments of long-term debt outstanding at December 31, 1989 for the next five years, excluding commercial paper, are summarized as follows: 1990 – $2,874,000; 1991 – $95,854,000; 1992 – $96,159,000; 1993–$96,196,000; 1994–$103,169,000.

Interest paid on long-term debt during 1989, 1988 and 1987 amounted to $185,894,000, $193,177,000 and $196,908,000, respectively.

A subsidiary of the Company has issued commercial paper, $100,000,000 of which was outstanding at December 31, 1989, at a weighted average interest rate of 8.5%. The commercial paper is supported by a $1,000,000,000 bank revolving credit agreement terminating on June 30, 1992, unless otherwise extended. The agreement requires a facility fee on the average daily commitment of .09%. Under terms of the bank revolving credit agreement, the Company and its consolidated subsidiaries are required to maintain a consolidated net worth of $1,679,872,000 at December 31, 1989, increasing annually by 33 percent of the consolidated net income of the previous year. The commercial paper outstanding at December 31, 1989 is classified as long-term, since the Company intends to renew or replace with long-term borrowings all, or substantially all, of the commercial paper. However, the amount of commercial paper outstanding in 1990 is expected to fluctuate and may be reduced from time to time.

The 8¾% debentures, 11⅝% debentures and 11¾% debentures are redeemable at the option of the Company, in whole or in part, at a declining premium to par until 2006, 2005 and 2003, respectively, and at par thereafter; provided, however, that these debentures not be redeemed from, or in anticipation of, funds borrowed at certain specified lower interest rates for a period of ten years from their dates of issuance. The 10½% notes and 8¼% notes are redeemable at par starting in 1992 and 1993, respectively. The 10.8% Senior Notes are not redeemable prior to 1992, at which time they may be redeemed at a price of 104% of par until maturity.

The Company has unconditionally guaranteed the 10.8% Senior Notes, the 8¼% notes, the 8¾% debentures which have been issued by a wholly-owned subsidiary, the commercial paper, and any borrowings which may be made by a subsidiary under the bank revolving credit agreement.

Notes to Consolidated Financial Statements—(Continued)

7. Employee Benefit Plans

The Company has defined benefit pension plans or qualified profit sharing plans covering substantially all of its employees not covered by union plans. The profit sharing plans provide for contributions by the Company in such amount as the Board of Directors may annually determine. Contributions to the profit sharing plans of $6,786,000, $6,616,000 and $6,261,000 were charged to expense in 1989, 1988 and 1987, respectively.

With respect to the defined benefit pension plans, the Company's policy is to fund amounts as are necessary on an actuarial basis to provide for benefits in accordance with the requirements of ERISA. Benefits are generally based on years of service and compensation. The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 9% at year-end 1989 and 1988. The rate of increase in future compensation levels and the expected long-term rate of return on assets were 5% and 8%, respectively, in 1989 and 1988.

The components of net pension cost for 1989, 1988 and 1987 were as follows (000's omitted):

	1989	1988	1987
Service cost of current period	$ 12,460	$ 13,078	$ 11,900
Interest cost on projected benefit obligation	28,923	25,419	23,088
Actual return on plan assets	(54,328)	(42,729)	(24,897)
Net amortization and deferral	20,036	10,474	(6,819)
Net pension cost	$ 7,091	$ 6,242	$ 3,272

The following table sets forth the pension plans' funded status and amounts recognized in the balance sheet at December 31, 1989 and January 1, 1989 (000's omitted):

	1989	1988
Actuarial present value of accumulated plan benefits (including vested benefits of $274,766 in 1989 and $230,911 in 1988)	$ 286,006	$ 244,802
Plan assets at fair value, primarily publicly traded securities and short-term cash investments	$ 453,316	$ 414,849
Projected benefit obligation for service rendered to date	(344,941)	(299,532)
Plan assets in excess of projected benefit obligation	108,375	115,317
Prior service cost not yet recognized in net periodic pension cost	22,404	5,877
Unrecognized net gain from past experience different from that assumed	(85,417)	(68,077)
Unrecognized net asset (transition amount) being recognized principally over 15 years	(24,715)	(26,961)
Prepaid pension cost included in balance sheet	$ 20,647	$ 26,156

The Company also has a Savings & Investment Plan which allows eligible employees to allocate up to 10% of salary through payroll deduction among a Company stock fund, a diversified equity fund and a guaranteed income fund. The Company matches 50% of the employee's contribution, up to 5% of salary. In 1989, 1988 and 1987, the cost of this plan (net of forfeitures) was $7,437,000, $6,942,000 and $6,479,000, respectively.

8. Segment Data

The Company's business operations are classified into two segments: Broadcasting and Publishing. Broadcasting operations include the ABC Television Network and eight television stations, the ABC Radio Networks and 21 radio stations, and cable television programming services. The Publishing segment includes newspapers, shopping guides, various specialized business and consumer periodicals and books, research services and database publishing. There are no product transfers between segments of the Company, and virtually all of the Company's business is conducted within the United States. Prior to 1986, the Company owned and operated cable television systems which are included below in the Broadcasting segment. The segment data is as follows (000's omitted):

	1989	1988	1987	1986	1985
Broadcasting					
Net revenues	$3,899,989	$3,749,557	$3,433,749	$3,153,619	$ 378,297
Direct operating costs	2,943,321	2,904,668	2,680,582	2,554,932	192,249
Depreciation	74,333	76,303	73,730	78,952	26,711
Amortization of intangible assets	46,186	46,415	46,527	45,200	8,367
Total operating costs	3,063,840	3,027,386	2,800,839	2,679,084	227,327
Income from operations	$ 836,149	$ 722,171	$ 632,910	$ 474,535	$ 150,970
Assets at year-end	$4,177,132	$3,927,891	$4,018,775	$4,186,650	$ 537,797
Capital expenditures	173,078	138,043	102,425	104,278	26,327
Publishing					
Net revenues	$1,057,405	$1,023,896	$1,006,597	$ 970,755	$ 642,583
Direct operating costs	891,542	858,102	822,123	778,201	482,333
Depreciation	17,971	18,361	18,878	15,353	10,395
Amortization of intangible assets	17,448	17,713	18,879	18,202	11,343
Total operating costs	926,961	894,176	859,880	811,756	504,071
Income from operations	$ 130,444	$ 129,720	$ 146,717	$ 158,999	$ 138,512
Assets at year-end	$ 899,499	$ 898,608	$ 908,193	$ 920,896	$ 455,274
Capital expenditures	13,015	15,035	13,114	48,589	45,869
Consolidated					
Net revenues	$4,957,394	$4,773,453	$4,440,346	$4,124,374	$1,020,880
Income from operations	$ 966,593	$ 851,891	$ 779,627	$ 633,534	$ 289,482
General corporate expense	(44,081)	(35,862)	(33,637)	(30,856)	(11,981)
Operating income	922,512	816,029	745,990	602,678	277,501
Interest expense	(174,417)	(182,362)	(190,806)	(185,511)	(22,738)
Interest and other income	103,032	53,609	8,794	5,576	22,059
Income before income taxes	$ 851,127	$ 687,276	$ 563,978	$ 422,743	$ 276,822
Assets employed by segments	$5,076,631	$4,826,499	$4,926,968	$5,107,546	$ 993,071
Cash investments and other corporate assets	1,282,876	1,262,372	451,404	83,870	891,860
Total assets at year-end	$6,359,507	$6,088,871	$5,378,372	$5,191,416	$1,884,931

Notes to Consolidated Financial Statements—(Continued)

9. Income Taxes

The provision for income taxes differs from the amount of tax determined by applying the Federal statutory rate for the following reasons (000's omitted):

	1989		1988		1987	
	Amount	%	Amount	%	Amount	%
Income before income taxes	$851,127		$687,276		$563,978	
Income tax expense at statutory Federal rate	$289,383	34.0	$233,674	34.0	$225,591	40.0
State and local income taxes, net of Federal benefit	45,358	5.3	38,750	5.6	29,700	5.3
Amortization of intangibles	20,891	2.5	21,804	3.2	26,162	4.6
Other, net	9,768	1.1	5,972	0.9	3,447	0.6
Total	$365,400	42.9	$300,200	43.7	$284,900	50.5

Income tax expense is comprised of the following (000's omitted):

	1989	1988	1987
Federal			
Current	$317,400	$239,600	$246,700
Deferred	(22,300)	1,900	(11,300)
	295,100	241,500	235,400
State and local			
Current	75,100	58,000	52,600
Deferred	(4,800)	700	(3,100)
	70,300	58,700	49,500
Total	$365,400	$300,200	$284,900

Income taxes paid, net of refunds received, during 1989, 1988 and 1987 amounted to $295,682,000, $228,570,000 and $135,767,000, respectively.

In December 1987, *Financial Accounting Standards Board Statement No. 96* was issued which requires a change in the method of accounting for income taxes. This statement must be implemented by 1992. The Company does not expect to adopt the standard prior to 1992, and the impact on the financial statements of such adoption is estimated not to be material.

The provision (benefit) for deferred income taxes represents the tax effect of transactions reported in different periods for financial and income tax reporting purposes, and results from the following timing differences (000's omitted):

	1989	1988	1987
Accelerated depreciation	$ 14,900	$13,600	$ 19,200
Program costs	(6,500)	(1,800)	(12,900)
Deferred compensation	(21,300)	(1,900)	(12,600)
Other	(14,200)	(7,300)	(8,100)
Total	$(27,100)	$ 2,600	$(14,400)

Deferred income taxes at December 31, 1989 include approximately $130,000,000 of taxes relating to the disposition of broadcasting and cable properties by the Company and its subsidiaries in 1986, deferred under the provisions of Section 1071 of the Internal Revenue Code.

10. Common Stock Plans

The Company has stock option plans under which certain key personnel have been granted the right to purchase shares of common stock over a 10- or 11-year period from the date of grant at prices equal to market value on the grant date. Each option is cumulatively exercisable as to 25% of the total shares represented thereby for each of the first four years after grant, provided that the individual remains in the employ of the Company. The following information pertains to the Company's stock option plans:

	1989	1988	1987
Outstanding options, beginning of year	120,373	143,055	166,433
Granted	6,300	—	4,500
Cancelled or expired	—	(250)	(1,150)
Exercised	(14,705)	(22,432)	(26,728)
Outstanding options, end of year	111,968	120,373	143,055
Average price of options exercised during the year	$106.40	$75.74	$96.19
Exercise price of outstanding options, end of year	$61.50 to $383.38	$40.13 to $383.38	$23.94 to $383.38
Options exercisable, end of year	103,418	112,037	123,083
Options available for future grant	495,155	501,455	501,205

The Company has an Employee Stock Purchase Plan which allows eligible employees, through contributions of up to 15% of their compensation, to purchase shares at 85% of the lower of fair market value at the Grant Date or at the Purchase Date (normally one year subsequent). Employees purchased 22,246, 27,701 and 33,893 shares under the Plan in 1989, 1988 and 1987, respectively. As of December 31, 1989, 573,626 shares remain available to be purchased through the period ending April 1995.

The Company has an incentive compensation plan for certain of its employees under which amounts payable are based upon appreciation in the market price of the Company's common stock. Payments are made in either cash, common stock or a combination thereof, at the discretion of the Company.

11. Common Stock and Stockholder Information (Unaudited)

As of February 28, 1990, the approximate number of holders of common stock was 6,350. Dividends of $.05 per share have been paid for each quarter of 1989 and 1988. The common stock is traded on the New York and Pacific Stock Exchanges. The high, low and closing prices of the Company's common stock for each quarter of 1989 and 1988 are as follows:

	1989			1988		
	High	Low	Close	High	Low	Close
1st quarter	$385½	$353	$379½	$357½	$309	$341½
2nd quarter	484	379¼	465	364	297	317¼
3rd quarter	534½	461½	525	362	307	355½
4th quarter	568	506	564¼	369¾	343	362¼

Notes to Consolidated Financial Statements—(Continued)

12. Quarterly Financial Data (Unaudited)

The following summarizes the Company's results of operations for each quarter of 1989, 1988 and 1987 (000's omitted, except per share amounts). The net income per share computation for each quarter and the year are separate calculations. Accordingly, the sum of the quarterly net income per share amounts may not equal the net income per share for the year.

	First quarter	Second quarter	Third quarter	Fourth quarter	Year
1989					
Net revenues	$1,120,441	$1,226,499	$1,101,238	$1,509,216	$4,957,394
Costs and expenses	956,616	961,991	943,961	1,172,514	4,034,882
Operating income	163,825	264,508	157,277	336,902	922,512
Interest expense	(47,459)	(43,819)	(41,951)	(41,188)	(174,417)
Interest and other income	29,807	25,864	26,855	20,506	103,032
Income before income taxes	146,173	246,553	142,181	316,220	851,127
Income taxes	63,400	106,400	61,400	134,200	365,400
Net income	$ 82,773	$ 140,153	$ 80,781	$ 182,020	$ 485,727
Net income per share	$4.59	$7.83	$4.56	$10.33	$27.25
1988					
Net revenues	$1,288,807	$1,159,486	$1,009,555	$1,315,605	$4,773,453
Costs and expenses	1,121,846	914,809	871,295	1,049,474	3,957,424
Operating income	166,961	244,677	138,260	266,131	816,029
Interest expense	(46,370)	(45,805)	(45,494)	(44,693)	(182,362)
Interest and other income	6,754	8,014	17,068	21,773	53,609
Income before income taxes	127,345	206,886	109,834	243,211	687,276
Income taxes	57,000	93,000	47,200	103,000	300,200
Net income	$ 70,345	$ 113,886	$ 62,634	$ 140,211	$ 387,076
Net income per share	$4.16	$6.78	$3.55	$7.76	$22.31
1987					
Net revenues	$ 959,201	$1,126,795	$ 946,211	$1,408,139	$4,440,346
Costs and expenses	861,858	871,615	829,124	1,131,759	3,694,356
Operating income	97,343	255,180	117,087	276,380	745,990
Interest expense	(48,004)	(47,470)	(45,566)	(49,766)	(190,806)
Interest and other income	487	2,822	4,815	670	8,794
Income before income taxes	49,826	210,532	76,336	227,284	563,978
Income taxes	25,900	110,800	37,900	110,300	284,900
Net income	$ 23,926	$ 99,732	$ 38,436	$ 116,984	$ 279,078
Net income per share	$1.43	$5.88	$2.23	$6.91	$16.46

Report of Ernst & Young, Independent Auditors

The Board of Directors and Shareholders
Capital Cities/ABC, Inc.

We have audited the accompanying consolidated balance sheets of Capital Cities/ABC, Inc. as of December 31, 1989 and January 1, 1989, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Cities/ABC, Inc. at December 31, 1989 and January 1, 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

Ernst + Young
Ernst + Young

New York, New York
February 28, 1990

Report of Management

The management of Capital Cities/ABC, Inc. is responsible for the information included in the consolidated financial statements. These statements, including the accompanying notes, have been prepared in accordance with generally accepted accounting principles and include amounts which are based upon management's best estimates and judgments.

In recognition of its responsibility for the integrity and reliability of the data contained in the financial statements, management maintains a system of internal controls. Internal controls are designed to provide reasonable but not absolute assurance at appropriate cost that assets are safeguarded from loss or unauthorized use, and that the financial records are reliable for the preparation of financial statements.

The Audit Committee of the Board of Directors, which is composed of seven outside directors, meets periodically with management, the independent auditors and the internal auditors to ensure that each is carrying out its responsibilities. The Audit Committee reports its conclusions and recommendations to the Board of Directors. Both the independent and internal auditors have free and direct access to the Audit Committee.

The financial statements have been audited by the Company's independent auditors in accordance with generally accepted auditing standards. In that connection, the independent auditors develop and maintain an understanding of the Company's accounting controls and conduct such tests and related procedures as they deem necessary to render their opinion as to the fairness of the presentation in all material respects of the financial statements in conformity with generally accepted accounting principles.

Thomas S. Murphy

Thomas S. Murphy
Chief Executive Officer

Ronald J. Doerfler

Ronald J. Doerfler
Chief Financial Officer

Capital Cities/ABC

Corporate

Thomas S. Murphy, *Chairman of the Board and Chief Executive Officer*
Daniel B. Burke, *President and Chief Operating Officer*
John B. Fairchild, *Executive Vice President; Chairman and Chief Executive Officer, Fairchild Publications*
John B. Sias, *Executive Vice President; President, ABC Television Network Group*
Ronald J. Doerfler, *Senior Vice President and Chief Financial Officer*
Michael P. Mallardi, *Senior Vice President; President, Broadcast Group*
Phillip J. Meek, *Senior Vice President; President, Publishing Group*
Stephen A. Weiswasser, *Senior Vice President and General Counsel*
Julius Barnathan, *Senior Vice President, Technology and Strategic Planning*
Allan J. Edelson, *Vice President and Controller*
Joseph M. Fitzgerald, *Vice President, Investor Relations*
John E. Frisoli, *Vice President, Human Resources*
James M. Goldberg, *Vice President, Taxes*
Robert T. Goldman, *Vice President, Administration*
Andrew E. Jackson, *Vice President, Corporate Affairs*
Charles Keller, *Vice President, Corporate Initiatives*
David S. Loewith, *Vice President and Assistant Controller*
Patricia J. Matson, *Vice President, Corporate Communications*
Jeffrey Ruthizer, *Vice President, Labor Relations*
Alfred R. Schneider, *Vice President, Broadcast Standards*
David J. Vondrak, *Vice President and Treasurer*
Philip R. Farnsworth, *Secretary*
Allen S. Bomes, *Assistant Treasurer*

* * * * * *

ABC Television Network Group

John B. Sias, *President*
James J. Allegro, *Senior Vice President*
Ann Maynard Gray, *Senior Vice President*
Alan Wurtzel, *Senior Vice President*

ABC Entertainment
Robert A. Iger, *President*
Stuart J. Bloomberg, *Executive Vice President*
Edward W. Harbert, *Executive Vice President*
Allen C. Sabinson, *Executive Vice President*
Ronald B. Sunderland, *Senior Vice President*

ABC Daytime, Children's and Late Night Entertainment
Michael S. Brockman, *President*
JoAnn Emmerich, *Senior Vice President, Daytime*

ABC Early Morning Entertainment
Philip R. Beuth, *Senior Vice President*

ABC Productions
Brandon Stoddard, *President*

ABC News
Roone Arledge, *President*
Richard C. Wald, *Senior Vice President*
Irwin W. Weiner, *Senior Vice President*

ABC Sports
Dennis D. Swanson, *President*
Dennis Lewin, *Senior Vice President*
Stephen J. Solomon, *Senior Vice President*

ABC Television Network
Mark Mandala, *President*
H. Weller Keever, *Executive Vice President*
George H. Newi, *Senior Vice President*

Broadcast Operations & Engineering
Robert R. Siegenthaler, *President*
Joseph DiGiovanna, *Senior Vice President*

Capital Cities/ABC

Broadcast Group

Michael P. Mallardi, *President*

Television Stations — East
Lawrence J. Pollock, *President*
Robert O. Niles, *Vice President*

WABC-TV (New York, NY)
Walter C. Liss, Jr., *President, General Manager*

WLS-TV (Chicago, IL)
Joseph J. Ahern, *President, General Manager*

WPVI-TV (Philadelphia, PA)
G. Alan Nesbitt, *President, General Manager*

WTVD (Durham-Raleigh, NC)
Timothy J. Bennett, *President, General Manager*

Television Stations — West
Kenneth M. Johnson, *President*
James E. Masucci, *Vice President*

KABC-TV (Los Angeles, CA)
Terry Crofoot, *President, General Manager*

KGO-TV (San Francisco, CA)
James G. Topping, *President, General Manager*

KTRK-TV (Houston, TX)
Paul L. Bures, Jr., *President, General Manager*

KFSN-TV (Fresno, CA)
Marc Edwards, *President, General Manager*

National Television Sales
John B. Watkins, *President*

Video Enterprises
Herbert A. Granath, *President*
Bruce Maggin, *Executive Vice President*

VIDEO ENTERPRISES INTERNATIONAL (New York, NY)
John T. Healy, *President*
Richard F. Spinner, *Senior Vice President and Managing Director, European Operations*

ABC DISTRIBUTION (New York, NY)
Archie C. Purvis, Jr., *President*

ESPN (Bristol, CT)
Roger L. Werner, Jr., *President*

ARTS & ENTERTAINMENT (New York, NY)

LIFETIME (New York, NY)

Radio
James P. Arcara, *President*

ABC Radio Networks
Aaron M. Daniels, *President*

Radio Stations — Group I
Don P. Bouloukos, *President*

WABC-AM (New York, NY)
Frederick D. Weinhaus, *President, General Manager*

WPLJ-FM (New York, NY)
J. Mitchell Dolan, *President, General Manager*

KABC-AM (Los Angeles, CA)
George Green, *President, General Manager*

KLOS-FM (Los Angeles, CA)
Bill Sommers, *President, General Manager*

KGO-AM (San Francisco, CA)
Michael Luckoff, *President, General Manager*

WJR-AM (Detroit, MI)
James E. Long, *President, General Manager*

WHYT-FM (Detroit, MI)
John E. Cravens, *President, General Manager*

KRXY-AM/FM (Denver, CO)
Joseph E. Parish, *President, General Manager*

WPRO-AM/FM (Providence, RI)

Radio Stations — Group II
Norman S. Schrutt, *President*

WLS-AM (Chicago, IL)
Thomas R. Tradup, *President, General Manager*

WYTZ-FM (Chicago, IL)
Kevin J. O'Grady, *President, General Manager*

WBAP-AM (Fort Worth-Dallas, TX)
William J. Hare, *President, General Manager*

KSCS-FM (Fort Worth-Dallas, TX)
Victor J. Sansone, *President, General Manager*

WMAL-AM (Washington, DC)
Thomas J. Bresnahan, *President, General Manager*

WRQX-FM (Washington, DC)
Maureen Lesourd, *President, General Manager*

WKHX-AM/FM (Atlanta, GA)
Verners J. Ore, *President, General Manager*

KQRS-AM/FM (Minneapolis, MN)
Mark S. Steinmetz, *President, General Manager*

Publishing Group

Phillip J. Meek, *President*

Specialized Publications

FAIRCHILD PUBLICATIONS (New York, NY)
John B. Fairchild, *Chairman and Chief Executive Officer*
Phillip J. Meek, *President*
Kenneth S. Share, *Executive Vice President*
Robert F. Callahan, *Senior Vice President*
Michael F. Coady, *Senior Vice President*
Richard J. Lynch, *Senior Vice President*
Philip L. McGovern, *Senior Vice President*
Charles J. Siegel, *Senior Vice President*

INSTITUTIONAL INVESTOR (New York, NY)
Gilbert E. Kaplan, *Chairman and Chief Executive Officer*
Peter A. Derow, *President*

PRACTICAL HOMEOWNER (New York, NY)
Harry C. Egner, *President*

ABC PUBLISHING
Robert G. Burton, *President*

ABC PUBLISHING AGRICULTURAL GROUP (Carol Stream, IL)
Allan R. Johnson, *President*

CHILTON COMPANY (Radnor, PA)
Gary R. Ingersoll, *President*

HITCHCOCK PUBLISHING COMPANY (Carol Stream, IL)
Loren M. Walsh, *President*

LOS ANGELES MAGAZINE (Los Angeles, CA)
Geoff Miller, *Publisher*

NILS PUBLISHING COMPANY (Chatsworth, CA)
William H. Bang, *President*

WORD, INCORPORATED (Irving, TX)
Roland Lundy, *President*

Newspapers

THE KANSAS CITY STAR (Kansas City, MO)
James H. Hale, *Chairman of the Board, Publisher*
Robert C. Woodworth, *President*

FORT WORTH STAR-TELEGRAM (Fort Worth, TX)
Richard L. Connor, *President, Publisher*

THE OAKLAND PRESS (Pontiac, MI)
Bruce H. McIntyre, *President, Publisher*

BELLEVILLE NEWS-DEMOCRAT (Belleville, IL)
Gary L. Berkley, *President, Publisher*

THE TIMES LEADER (Wilkes-Barre, PA)
Dale A. Duncan, *President, Publisher*

OREGON NEWSPAPERS (Albany, OR)
Glenn C. Cushman, *President*
Richard F. Anderson, *General Manager*

NEW ENGLAND NEWSPAPER GROUP (Guilford, Milford and West Hartford, CT; Marshfield and Cape Cod, MA; and Kingston, RI)
John E. Coots, *Group Executive*

COUNTY PRESS (Lapeer, MI)

HIGHLAND NEWS-LEADER (Highland, IL)

O'FALLON PROGRESS (O'Fallon, IL)

LEGAL COMMUNICATIONS (St. Louis, MO)

Shopping Guides

SUTTON INDUSTRIES (Orange and San Diego Counties, Sacramento and Stockton, CA)
Wesley R. Turner, *President*

PENNYPOWER SHOPPING NEWS (Wichita, KS and Springfield, MO)
R. Thomas Cronk, *President*

NORTHWEST NICKELS (Seattle-Tacoma and Spokane, WA; and Portland, OR)

Executive Officers

Thomas S. Murphy
Chairman of the Board and
Chief Executive Officer

Daniel B. Burke
President and
Chief Operating Officer

John B. Fairchild
Executive Vice President;
Chairman of the Board,
Fairchild Publications

John B. Sias
Executive Vice President;
President, ABC Television
Network Group

Ronald J. Doerfler
Senior Vice President and
Chief Financial Officer

Michael P. Mallardi
Senior Vice President;
President, Broadcast Group

Phillip J. Meek
Senior Vice President;
President, Publishing Group

Stephen A. Weiswasser
Senior Vice President and
General Counsel

Board of Directors

THOMAS S. MURPHY
Chairman of the Board and Chief Executive Officer

DANIEL B. BURKE
President and Chief Operating Officer

ROBERT P. BAUMAN
Chief Executive Officer, SmithKline Beecham p.l.c.

WARREN E. BUFFETT
Chairman of the Board and Chief Executive Officer, Berkshire Hathaway Inc.

FRANK T. CARY
Former Chairman of the Board, International Business Machines Corporation

JOHN B. FAIRCHILD
Executive Vice President; Chairman and Chief Executive Officer, Fairchild Publications

LEONARD H. GOLDENSON
Chairman of the Executive Committee; Retired Chairman of the Board, American Broadcasting Companies, Inc.

GEORGE P. JENKINS
Consultant to W. R. Grace & Co.; Retired Chairman of the Board, Metropolitan Life Insurance Company

FRANK S. JONES
Ford Professor of Urban Affairs, Massachusetts Institute of Technology

ANN DIBBLE JORDAN
Former Director of Social Service Department, University of Chicago Medical School

THOMAS M. MACIOCE
Partner, Shea & Gould, Attorneys at Law; Former Chairman of the Board and Chief Executive Officer, Allied Stores Corporation

JOHN H. MULLER, JR.
Chairman of the Board and Chief Executive Officer, General Housewares Corp.

JOHN B. SIAS
Executive Vice President; President, ABC Television Network Group

WILLIAM I. SPENCER
Retired President and Chief Administrative Officer, Citicorp and Citibank, N.A.

M. CABELL WOODWARD, JR.
Vice Chairman and Chief Financial Officer, ITT Corporation

Director Emeritus
GERALD DICKLER
Former Senior Counsel, Hall, Dickler, Lawler, Kent & Friedman, Attorneys at Law

Transfer Agent and Registrar
Harris Trust Company of New York
77 Water Street
New York, New York 10005

The Company's Common Stock is listed for trading on the New York and Pacific Stock Exchanges (Symbol: CCB)

3

Exhibit (22)

As of December 31, 1989

Subsidiaries of Capital Cities/ABC, Inc.

	Jurisdiction of Incorporation
Capital Cities/ABC, Inc. (parent)	New York
ABC Holding Company, Inc.	Delaware
ABC Consumer Magazines Holding Company, Inc.	Delaware
ABC Consumer Magazines, Inc.	Delaware
ABC Daytime Circle, Inc.	Delaware
ABC Network Holding Company, Inc.	Delaware
ABC Equipment Leasing, Inc.	New York
ABC Motion Pictures, Inc.	Delaware
ABC Records, Inc.	New York
ABC Circle Music, Inc.	New York
American Broadcasting Music, Inc.	New York
ABC Theatre Holdings, Inc.	Delaware
ABC Interstate Theatres, Inc.	Delaware
ABC Southeastern Theatres, Inc.	Delaware
Ambro Land Holdings, Inc.	Delaware
Ambroco Development Corp.	New York
Broadway Development Corp.	New York
Columbus West Development Corp.	New York
67th Street Development Corp.	New York
66th Street Development Corp.	New York
Circle Location Services, Inc.	Delaware
Stage Five Productions, Inc.	California
TNC Company, Inc.	Delaware
ABC News Holding Company, Inc.	Delaware
ABC News, Inc.	Delaware
ABC News Intercontinental, Inc.	Delaware
ABC News Overseas Sales, Inc.	Delaware
ABC Radio Network, Inc.	Delaware
ABC Radio Network Sales, Inc.	New York
ABC/Watermark, Inc.	Delaware
Satellite Music Network, Inc.	Delaware
ABC Sports Holding Company, Inc.	Delaware
ABC Sports, Inc.	New York
ABC Sports Intercontinental S.A.R.L.	France
ABC Sports Marketing, Inc.	Delaware
ABC Sports Video, Inc.	Delaware
American Broadcasting Companies, Inc.	Delaware
Capital Cities/ABC National Television Sales, Inc.	Delaware
Capital Cities/ABC Video Enterprises, Inc.	Delaware
ABC Sports International, Inc.	Delaware
Capital Cities/ABC Video Enterprises Worldwide Holdings, Inc.	Delaware
Capital Cities/ABC Video Productions, Inc.	Delaware
Capital Cities/ABC Video Publishing, Inc.	Delaware
Capital Cities/ABC Video Systems, Inc.	Delaware
French Productions, Inc.	Delaware
Spanish Productions, Inc.	Delaware

Capital Cities/ABC, Inc. (parent)(continued)	
ABC Holding Company, Inc. (continued)	
Chilton Holding Company, Inc.	Delaware
Chilton Company	Delaware
The Center for Curriculum Development, Inc.	Delaware
Compute Holding Company, Inc.	Delaware
COMPUTE! Publications, Inc.	North Carolina
ESPN Holding Company, Inc.	Delaware
ESPN, Inc.	Delaware
English Sports, Inc.	Delaware
ESPN 88	United Kingdom
ESPN Enterprises, Inc.	Delaware
Farm Progress Holding Company, Inc.	Delaware
Farm Progress Companies, Inc.	Illinois
Farm Progress Insurance Services, Inc.	Illinois
Indiana Prairie Farmer Insurance Services, Inc.	Indiana
The Miller Publishing Company, Inc.	Minnesota
Hitchcock Holding Company, Inc.	Delaware
Hitchcock Publishing Company	Delaware
Professional Exposition Management Company, Inc.	Delaware
KABC-AM Radio, Inc.	Delaware
KGO-AM Radio, Inc.	Delaware
KGO Television, Inc.	Delaware
KLOS-FM Radio, Inc.	Delaware
L.I.C. Warehouse Realty Company, Inc.	Delaware
Los Angeles Magazine Holding Company, Inc.	Delaware
Los Angeles Magazine, Inc.	Delaware
NILS Holding Company, Inc.	Delaware
NILS Publishing Company	Delaware
National Price Service, Inc.	Delaware
101 West 67th Realty Company, Inc.	Delaware
77 West 66 Realty Company, Inc.	Delaware
1313 Vine Realty Company, Inc.	Delaware
36 & 40 West 66 Realty Company, Inc.	Delaware
WABC-AM Radio, Inc.	Delaware
WABC Television, Inc.	Delaware
WLS-AM Holding Company, Inc.	Delaware
WLS, Inc.	Delaware
WLS Television, Inc.	Delaware
WMAL Holding Company, Inc.	Delaware
WMAL, Inc.	Delaware
Word Holding Company, Inc.	Delaware
Word, Incorporated	Texas
Word Communications Ltd.	British Columbia
Word Direct Marketing Services, Inc.	Texas
Word (U.K.) Limited	United Kingdom
WPLJ-FM Radio, Inc.	Delaware
WYTZ-FM Radio, Inc	Delaware

Capital Cities/ABC, Inc. (parent)(continued)	
ABC/Kane Productions International, Inc.	Delaware
Capital Cities Entertainment Systems, Inc.	Delaware
Capital Cities Media, Inc.	New York
Fairchild Publications S.A.R.L.	France
Foothills Trader, Inc.	Connecticut
Guilford Publishing Company, Inc.	Delaware
Mariner Newspapers, Inc.	New York
Newside Publications, Inc.	Delaware
Practical Homeowner Holding Company, Inc.	New York
Capital Cities Vision, Inc.	New York
CC Finance Holding Corporation	Delaware
Capital Cities/ABC Finance Company, Inc.	Delaware
CC Texas Holding Co., Inc.	Delaware
KTRK Television, Inc.	Michigan
Southfield Realty Company, Inc.	Michigan
Weehawken Corporation	Delaware
CCC Properties, Inc.	New York
Institutional Investor, Inc.	Delaware
Institutional Investor (Europe) Limited	United Kingdom
The Kansas City Star Company (also owns the preferred stock of Capital Cities Media, Inc.)	Missouri
KQRS Holding Corporation	Delaware
KQRS, Inc.	Delaware
KRXY Holding Corporation	Delaware
KRXY Radio, Inc.	Delaware
Legal Com of Delaware, Inc.	Delaware
Legal Communications Corporation	Missouri
The Oakland Press Company	Michigan
Tri-County Newspapers, Inc.	Michigan
Pennypower of Kansas, Inc.	Delaware
Pennypower Shopping News, Inc.	Kansas
Schwann Publications, Inc.	Delaware
Star-Telegram, Inc.	Delaware
Media Transport, Inc.	Texas
Sutton Industries, Inc.	Delaware
PSP & D, Inc.	Delaware
Texas Media Holding Company, Inc.	Delaware
TV Connection, Inc.	Delaware
WBAP-KSCS, Inc.	Delaware
Wilson Publishing Company	Rhode Island

Exhibit (28)(a)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K
ANNUAL REPORT

Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the Plan Year ended December 31, 1989

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CAPITAL CITIES/ABC, INC.
77 West 66 Street
New York, New York 10023

Item 1 Changes in the Plan

The name of the Plan was changed to "Capital Cities/ABC, Inc. Savings & Investment Plan."

The definition of "Company" in the Plan was amended to refer to Capital Cities/ABC, Inc. and any of its subsidiaries or affiliated corporations which are authorized by the Board of Directors of Capital Cities/ABC, Inc. to participate in the Plan and which adopt the Plan, or which may have heretofore been authorized to participate in the Plan and which have adopted the Plan, and any successor of any of them.

The preamble to the Plan was revised in order to describe to which employees the Plan applied before 12/31/88 and to which employees the Plan applied effective 1/1/89:

> As of December 31, 1988, this Plan applied to the employees of American Broadcasting Companies, Inc. ("ABC") and its subsidiaries and divisions, to the employees of ABC/Kane Productions International, Inc., and to the employees of those subsidiaries and divisions of Capital Citites/ABC, Inc. ("Capital Cities") which were a part of or affiliates of ABC prior to the acquisition of ABC by Capital Cities on January 3, 1986. Effective January 1, 1989, the coverage of the Plan was extended to individuals who were hired by or otherwise became employees of Capital Cities' broadcasting subsidiaries and divisions and corporate headquarters division after December 31, 1988.

The definition of "Employee" in the Plan was revised to add the following paragraphs as to which employees shall not be included:

> an employee of Capital Cities unless he (A) is an employee of a division which was part of or an affiliate of ABC prior to January 3, 1986 or (B) was hired by or otherwise became employed by Capital Cities' corporate headquarters division or one of Capital Cities' broadcasting divisions after December 31, 1988; and

> an employee of KQRS, Inc., KRXY Radio, Inc., KTRK Telvision, Inc. or WBAP-KSCS, Inc. unless he was hired or otherwise became employed after December 31, 1988.

The Plan was also amended to allow participants to borrow against their taxable contributions as well as against their tax deferred contributions.

Item 2 Changes in Investment Policy

This item is not applicable.

Item 3 Contributions Under the Plan

This item is not applicable.

Item 4 Participating Employees

There were approximately 7,035 employees participating in the Plan at the end of its fiscal year.

Item 5 Administration of the Plan

(a) The Plan is administered by the Employee Benefits Committee. The members of such Committee as of December 31, 1989 are Ronald J. Doerfler, Thomas J. Gorey, Jr. and David J. Vondrak. Communications to members of the Committee should be addressed to them at 77 West 66 Street, New York, New York 10023.

Ronald J. Doerfler is Senior Vice President and Chief Financial Officer, Thomas J. Gorey, Jr. is Vice President, Employee Benefits and Human Resources Information Systems and David J. Vondrak is Vice President and Treasurer of Capital Cities/ABC, Inc.

(b) Total amount of compensation received from the Plan by each of the administrators:

None.

Item 6 Custodian of Investments

(a) Trustee of the Plan which acts as custodian of any of the securities or other investments of the Plan is:

Bankers Trust Company
280 Park Avenue
New York, New York 10017

(b) Compensation received from the Plan by the Trustee:

None from the Plan.

(c) Nature and amount of any bond furnished by the Trustee:

None.

Item 7 Reports to Participating Employees

Each member is furnished a statement at the end of each calendar quarter showing:

Item 7 **Reports to Participating Employees** (Continued)

(a) Member's account

(1) Current investment direction
(2) Cumulative contribution to Plan, net of withdrawals, plus loans
(3) Opening balance (market value) of each fund in which participant is invested
(4) Current quarter's contribution
(5) Investment results
(6) Dividends
(7) Fund reallocation
(8) Closing balance
(9) Vested value
(10) Number of shares and uninvested cash in Fund A
(11) Loans and loan repayments
(12) Withdrawals

(b) Company's account

(1) Opening balance - all Capital Cities/ABC, Inc. common stock
(2) Current quarter's contributions
(3) Investment results
(4) Dividends
(5) Closing balance
(6) Vested value
(7) Number of shares and uninvested cash in Fund A
(8) Withdrawals

Item 8 **Investment of Funds**

(a) (1) The aggregate dollar amount of brokerage commissions paid by the Plan during the three most recent fiscal years is $109,541.

(2) During the three most recent fiscal years, Neuberger & Berman, Inc., an affiliate of the Plan's Investment Manager, Neuberger & Berman Pension Management, Inc., was paid brokerage commissions for purchases of securities for Fund B, totaling $46,753. During 1989, the commissions paid to Neuberger & Berman, Inc. constituted 35.6 percent of the total brokerage commissions paid by the Plan. The dollar amount of transactions involving the payment of commissions to Neuberger & Berman, Inc. constituted 39.6 percent of the aggregate dollar amount of transactions during 1989.

(b) During the fiscal year 1989, neither the Plan nor its Investment Manager directed the Plan's brokerage transactions to a broker or brokers because of research services.

Item 9 Financial Statements and Exhibits

(a) Financial Statements:

Report of Ernst & Young, Independent Auditors

Combined Statements of Financial Condition as of December 31, 1989 and 1988

Combined Statements of Income and Changes in Plan Equity for the years ended December 31, 1989, 1988 and 1987.

Notes to Combined Financial Statements

Supplemental Schedules:

Investments at December 31, 1989

Combining Statements of Financial Condition as of December 31, 1989 and 1988

Combining Statements of Income and Changes in Plan Equity for the years ended December 31, 1989, 1988 and 1987.

(b) Exhibits:

Consent of Ernst & Young

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have caused this annual report to be signed by the undersigned thereunto duly authorized.

Capital Cities/ABC, Inc. Savings & Investment Plan

Date: March 22, 1990

By David J. Vondrak

David J. Vondrak, a member of the Employee Benefits Committee

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Financial Statements and Supplementary Schedules

December 31, 1989

(With Report of Ernst & Young, Independent Auditors Thereon)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Table of Contents

REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

The Board of Directors
Capital Cities/ABC, Inc.:

We have audited the combined statements of financial condition of the Capital Cities/ABC, Inc. Savings & Investment Plan as of December 31, 1989 and 1988, and the related combined statements of income and changes in plan equity for each of the three years in the period ended December 31, 1989 and the related supplemental schedules listed in the accompanying index to the financial statements (Item 9(A)). These financial statements and schedules are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements and supplemental schedules referred to above present fairly, in all material respects, the combined financial position of the Capital Cities/ABC, Inc. Savings & Investment Plan at December 31, 1989 and 1988 and the combined results of its operations and changes in its plan equity for the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

Ernst & Young

ERNST & YOUNG

New York, New York
March 19, 1990

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combined Statements of Financial Condition

December 31, 1989 and 1988

ASSETS	1989	1988
Investments, at market (notes 1 and 3):		
Equity Securities:		
Capital Cities/ABC, Inc. common stock (cost of $101,387,914 and $99,311,722 in 1989 and 1988, respectively)	$235,371,566	$151,784,561
Other (cost of $15,684,524 and $14,616,048 in 1989 and 1988, respectively)	17,180,401	14,766,733
Total equity securities	252,551,967	166,551,294
Other investments:		
Bankers Trust Pyramid Directed Account Cash Fund	2,730,949	2,132,519
Convertible debentures (cost of $100,000)	77,500	-
Funds on deposit with insurance company	58,389,679	46,877,947
Total other investments	61,198,128	49,010,466
Total investments	313,750,095	215,561,760
Participants loans (note 2)	3,920,695	2,117,523
Interest and dividends receivable	545,402	422,194
Due from (to) Capital Cities/ABC, Inc.	(181,637)	1,175,184
Receivables from sales of investments	-	120,187
Total assets	$318,034,555	$219,396,848
LIABILITIES AND PLAN EQUITY		
Due to former participants	$ 2,499,028	$ 2,720,083
Payables for purchases of investments	592,753	1,296,263
Plan equity	314,942,774	215,380,502
Total liabilities and plan equity	$318,034,555	$219,396,848

See accompanying notes to combined financial statements.

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combined Statements of Income and Changes in Plan Equity

Years ended December 31, 1989, 1988 and 1987

	1989	1988	1987
Investment income:			
Dividends	$ 709,450	$ 587,779	$ 484,844
Interest	5,108,561	3,886,479	3,235,858
Total investment income	5,818,011	4,474,258	3,720,702
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants (note 1)	1,956,415	1,296,099	1,139,770
Net gain on sales of common stock	1,082,374	1,027,944	1,561,690
Net increase in unrealized appreciation of plan assets held at year end (note 1)	82,833,505	7,957,446	28,088,133
	91,690,305	14,755,747	34,510,295
Contributions:			
Participants (note 2)	21,549,642	20,674,930	15,849,443
Employer (notes 1 and 2)	6,937,953	7,186,990	6,089,889
Total contributions	28,487,595	27,861,920	21,939,332
Interest on participants' loans (note 2)	219,897	106,786	93,349
Total	120,397,797	42,724,453	56,542,976
Distributions to terminated and withdrawing participants (note 1):			
Capital Cities/ABC, Inc. common stock at market value	5,333,198	3,167,098	4,534,258
Cash	15,502,327	13,603,426	13,202,448
Total distributions	20,835,525	16,770,524	17,736,706
Change in plan equity	99,562,272	25,953,929	38,806,270
Plan equity:			
Beginning of year	215,380,502	189,426,573	150,620,303
End of year	$314,942,774	$215,380,502	$189,426,573

See accompanying notes to combined financial statements.

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Notes to Combined Financial Statements

December 31, 1989, 1988 and 1987

(1) Summary of Significant Accounting Policies

(a) The accompanying combined financial statements present plan equity and changes therein of the Capital Cities/ABC, Inc. Savings & Investment Plan (the Plan) on an accrual basis. The Plan consists of three funds:

Fund A - Capital Cities/ABC, Inc. Common Stock Fund
Fund B - Diversified Equity Fund
Fund C - Guaranteed Income Fund

(b) The investment in common stock of Capital Cities/ABC, Inc. (Capital Cities/ABC) is stated at market value which is based on the year-end stock quotation from the New York Stock Exchange.

Investments of the Diversified Equity Fund consist of equity securities and convertible debentures of companies other than Capital Cities/ABC, Inc. The market value of these investments is also based on year-end stock quotations from the New York Stock Exchange.

Investments of the Guaranteed Income Fund consist of funds on deposit with an insurance company under contract which provides for a guaranteed minimum annual rate of interest of 9.75% for 1989. The Guaranteed Income Fund is valued at cost plus interest earned.

Uninvested cash may be temporarily invested in obligations of the U.S. Government or other short-term investments.

Realized gains and losses on sales of securities are accounted for on a weighted average cost basis. Purchases and sales are recorded on a trade date basis. Dividend income is accrued on the ex-dividend date. Interest income is recorded on an accrual basis as earned.

Unrealized appreciation at the beginning and end of each year and the net increase for each year included in the accompanying statements of income and change in plan equity are as follows:

	1989	1988	1987
Balance at beginning of year	$ 52,623,524	$44,666,078	$16,577,945
Balance at end of year	135,457,029	52,623,524	44,666,078
Net increase	$ 82,833,505	$ 7,957,446	$28,088,133

(1) Summary of Significant Accounting Policies (Continued)

(c) Distributions to terminated and withdrawing participants are based upon the market value of units and/or shares credited to participants' accounts as of the effective date of termination or withdrawal. The difference between the market value on the effective date of distribution and the cost of shares distributed is shown separately in the accompanying combined statements of income and changes in plan equity.

(d) Employer contributions are reported net of forfeitures of $145,955, $309,730 and $497,643 for 1989, 1988 and 1987, respectively.

(2) Description of Plan

The Plan is an employee savings and investment plan for participating employees of American Broadcasting Companies, Inc. (ABC) (an indirect wholly owned subsidiary of Capital Cities/ABC) and those other subsidiaries and divisions of Capital Cities/ABC, Inc. which were previously a part of, or affiliates of ABC. Individuals who became employees of the corporate and other broadcasting properties of Capital Cities/ABC, Inc. subsequent to 1988 are eligible to participate in the Plan. In addition, employees of Satellite Music Network, Inc. (an indirect wholly owned subsidiary of Capital Cities/ABC, Inc.) and approximately 5,000 employees of certain subsidiaries of Capital Cities/ABC's Publishing Group will become eligible to participate in the Plan effective January 1 and April 1 of 1990, respectively. One of these subsidiaries currently maintains its own plan with approximately $5,000,000 in assets. This plan will be merged with the Savings & Investment Plan.

Under the Plan, eligible employees may authorize payroll deductions of either 2, 3, 4 or 5% of their annual compensation to be invested in one or more of three funds. Such contributions may be in the form of regular after-tax contributions (taxable), or tax deferred contributions. Capital Cities/ABC will contribute an amount equal to 50% of such deductions, to be invested in the Capital Cities/ABC, Inc. Common Stock Fund (Fund A). On October 1, 1987, the Plan was amended to allow employees to contribute an additional unmatched 2, 3, 4 or 5% of annual compensation, which may be designated either taxable or tax deferred contributions for any year. Total annual contributions by the employer and employee to a participant's account are limited to $30,000 for all defined contribution plans. The IRS-imposed limitation on tax deferred contributions for 1989 is $7,627 for employees. Participants are fully vested with respect to their own contributions at all times. For periods covered in these financial statements, participants with less than 5 years of service vest with respect to employer contributions over a three-year period, one-third each year. Upon completion of 5 years of service, death, permanent disability, retirement or termination of service after age 65, a participant's account is considered fully vested.

The Plan permits the Employee Benefits Committee to postpone distributions of a member's account in instances where a member's termination of services arises out of a change in ownership of stock or all or part of the assets of a member's employing unit and such member is reemployed by the acquiring entity if such termination is not deemed a "separation from service" within the meaning of the applicable income tax rulings or regulations. In such instances the Employee

(Continued)

(2) Continued

Benefits Committee may postpone the distribution until such distribution may be accomplished without adverse income tax consequences to the member or to the Plan or may allow a transfer to another qualified plan or allow a permissible tax-free rollover.

Under the Plan, members are allowed to obtain loans equal to the lesser of the amount of such member's account attributable to taxable and tax deferred contributions or the maximum amount allowable under federal tax regulations with $1,000 being the minimum. The loans bear interest at a rate determined by the Employee Benefits Committee.

The value of a participant's account is determined based upon share value for Fund A and unit values for Funds B and C. Upon permanent disability or retirement, the amount credited to a participant's account is distributed to him or his beneficiary, either in a lump sum or in installments over a period not exceeding ten years. Upon termination of employment for reasons other than permanent disability or retirement, the amount credited to the participant's account is distributed to him in a lump sum. While employed, a participant may, in 10% increments or a lump sum, withdraw from the Plan the amount credited to his account which is attributable to his taxable contributions. Upon a withdrawn participant's termination, the vested amount credited to his account attributable to employer contributions is distributed to him. If a participant terminates prior to vesting with respect to employer contributions, forfeited funds are used to reduce the contribution of the sponsor company. Distributions of Fund A are paid either in shares of Capital Cities/ABC common stock or cash. Distributions for Funds B and C are paid in cash.

As of December 31, 1989 there were 7,017 participants in Fund A, 2,315 participants in Fund B and 4,486 participants in Fund C.

As of December 31, 1989 there were 4,027,260 total units in Fund B and 19,715,110 total units in Fund C with unit values of 4.85 and 2.92 respectively.

(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Notes to Combined Financial Statements

December 31, 1989, 1988 and 1987

(3) Changes in Investment in Equity Securities

Changes in investment in equity securities, at cost, for the years ended December 31, 1989 and 1988 were as follows:

	Shares	Cost
Capital Cities/ABC, Inc. common stock:		
Balance at December 31, 1987	394,377	$ 89,974,304
Purchases	36,424	12,068,551
Distributions to terminated and withdrawing participants	(11,796)	(2,731,133)
Balance at December 31, 1988	419,005	99,311,722
Purchases	10,858	5,090,341
Distributions to terminated and withdrawing participants	(12,630)	(3,014,149)
Balance at December 31, 1989	417,233	$101,387,914
Other equity securities:		
Balance at December 31, 1987	453,780	12,542,504
Purchases	338,595	9,761,142
Sales	(292,100)	(7,687,598)
Balance at December 31, 1988	500,275	14,616,048
Purchases	269,491	9,819,424
Sales	(279,163)	(8,750,948)
Balance at December 31, 1989	490,603	15,684,524

(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Notes to Combined Financial Statements

December 31, 1989, 1988 and 1987

(4) Administration of the Plan

Under the terms of a trust agreement between Bankers Trust Company (the Trustee) and the Plan, the Trustee manages the Plan assets on behalf of the Plan. For the periods ending December 31, 1989, 1988 and 1987, substantially all the Plan assets were held by the Trustee.

During the period 1987 through 1989, the cost of administering the Plan was paid directly by Capital Cities/ABC, Inc.; the Plan assets were not used to meet such obligations.

(5) Termination of the Plan

Although Capital Cities/ABC has not expressed any intent to terminate the Plan, it may be terminated at any time by action of its Board of Directors. In the event of termination, the amounts credited to the participants' accounts become fully vested and the Trustee is required to distribute such amounts to participants or continue the trust fund and pay benefits therefrom in accordance with the provisions of the Plan.

(6) Federal Income Taxes

Capital Cities/ABC, Inc. has received a letter of determination from the IRS stating that the Plan as amended through December 22, 1987 meets the requirements of Section 401(a) of the Internal Revenue Code, as amended, and that the trust established thereunder is entitled to exemption from payment of Federal income taxes under provisions of Section 501(a) of the Code.

Participants are not subject to federal income tax on employer contributions made to their accounts under the Plan, or on the earnings in their accounts, until amounts in their accounts are withdrawn or distributed.

SUPPLEMENTAL SCHEDULES

Schedule 1

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Investments

December 31, 1989

DESCRIPTION	NUMBER OF SHARES	COST	MARKET VALUE
Equity Securities:			
Alcan Alum Ltd Com	10,000	$ 225,650	$ 228,750
Allied Signal Inc Com	10,500	142,124	366,187
Amerada Hess Corp Com	9,000	251,130	438,750
American Cyanamid Co Com	7,000	364,227	375,375
American President	11,680	331,505	328,500
American Telephone & Telegraph	9,000	227,601	409,500
Ames Dept Stores Inc Com	5,000	75,325	51,875
Bowater Inc Com	7,000	192,518	193,375
Burlington Northern	12,000	255,041	378,000
Capital Cities/ABC, Inc.	417,233	101,387,914	235,371,566
Caterpillar Inc Del	7,000	415,830	405,125
CBI Industries	10,000	290,999	323,750
CBS Inc Com	2,500	414,404	470,000
Champion Intl Corp Com	14,000	456,318	448,000
Cigna Corp Com	3,000	147,879	178,500
Continental Corp Com	11,000	380,031	341,000
CSX Corp Com	13,000	389,946	466,375
Dana Corp Com	9,000	353,656	311,625
Engelhard Corp Com	18,000	301,406	346,500
General Motors Corp Com	11,000	418,731	464,750
Goodyear Tire & Rubber Co Com	8,000	389,893	348,000
W.R. Grace & Co.	13,000	323,459	425,750
Hercules Inc Com	7,000	334,828	273,000
Ingersoll Rand Co Com	10,000	350,791	502,500
Intl Business Machines Corp Com	6,000	658,391	564,750
James Riv Corp	12,000	385,111	340,500
Litton Industries	5,000	390,504	386,250
Mobil Corp Com	8,500	297,665	532,313
Morgan JP & Co Com	9,200	390,384	404,800
Morrison Knudsen Corp Com	9,000	365,170	419,625
Occidental Pete Corp Com	13,000	431,243	385,125
Pennzoil Co Com	5,000	396,059	443,125
Ryder Sys Inc Com	15,000	405,066	305,625
Sears Roebuck & Co Com	8,000	296,625	305,000
Smithkline Beechman Plc	12,000	448,370	517,500
Sonat Inc Com	11,000	346,798	536,250
Square D Co Com	8,000	390,240	427,000
Sundstrand Corp Com	3,000	157,604	194,625
Tenneco Inc Com	8,000	326,795	498,000
Texaco Inc Com	6,500	319,762	382,688
Texas Industries Inc Com	11,723	284,153	268,163
Textron Inc Com	10,000	289,557	246,250
Union Carbide Corp Com	14,000	401,751	325,500
Union Tex Pete Hldgs Inc Com	18,000	249,664	326,250

Schedule 1
(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Investments

December 31, 1989

DESCRIPTION	NUMBER OF SHARES	COST	MARKET VALUE
Equity Securities: (Continued)			
United Technologies Corp	8,000	331,266	434,000
Varity Corp Com	47,000	148,410	117,500
Weyerhaeuser Co Com	15,000	369,222	414,375
Whirlpool Corp Com	10,000	271,422	330,000
Total Equity Securities	907,836	117,072,438	252,551,967
Other Investments:			
Bankers Trust Pyramid Directed Account Cash Fund		2,730,949	2,730,949
Ames Dept Stores Inc - convertible 7.5%, due 10/1/14		100,000	77,500
Funds on deposit with insurance Co.: Group Annuity Contracts With AETNA Life Insurance		58,389,679	58,389,679
Total Other Investments		61,220,628	61,198,128
Total Investments		$178,293,066	$313,750,095

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Financial Condition

December 31, 1989

ASSETS	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investments, at market				
Equity Securities:				
Capital Cities/ABC, Inc. common stock	$235,371,566	$235,371,566	$ -	$ -
Other	17,180,401	-	17,180,401	-
Total equity securities	252,551,967	235,371,566	17,180,401	-
Other investments:				
Bankers Trust Pyramid Directed Account Cash Fund	2,730,949	794,813	1,936,136	-
Convertible debentures	77,500	-	77,500	-
Funds on deposit with insurance company	58,389,679	-	-	58,389,679
Total other investments	61,198,128	794,813	2,013,636	58,389,679
Total investments	313,750,095	236,166,379	19,194,037	58,389,679
Participants loans	3,920,695	2,963,285	242,120	715,290
Interest and dividends receivable	545,402	24,121	61,181	460,100
Due from (to) Capital Cities/ ABC, Inc.	(181,637)	496,287	448,139	(1,126,063)
Interfund transfer receivable (payable)	-	(235,546)	(63,047)	298,593
Total assets	$318,034,555	$239,414,526	$19,882,430	$58,737,599
LIABILITIES AND PLAN EQUITY				
Due to former participants	$ 2,499,028	$ 1,963,010	$ 129,736	$ 406,282
Payables for purchases of investments	592,753	545,307	47,446	-
Plan equity	314,942,774	236,906,209	19,705,248	58,331,317
Total liabilities and plan equity	$318,034,555	$239,414,526	$19,882,430	$58,737,599

Schedule 2
(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Financial Condition

December 31, 1988

ASSETS	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investments, at market				
Equity Securities:				
Capital Cities/ABC, Inc. common stock	$151,784,561	$151,784,561	$ -	$ -
Other	14,766,733	-	14,766,733	-
Total equity securities	166,551,294	151,784,561	14,766,733	-
Other Investments:				
Bankers Trust Pyramid Directed Account Cash Fund	2,132,519	1,041,222	1,091,297	-
Funds on deposit with insurance company	46,877,947	-	-	46,877,947
Total other investments	49,010,466	1,041,222	1,091,297	46,877,947
Total investments	215,561,760	152,825,783	15,858,030	46,877,947
Participant loans	2,117,523	1,610,096	128,324	379,103
Interest and dividends receivable	422,194	24,577	48,192	349,425
Due from (to) Capital Cities/ ABC, Inc.	1,175,184	1,253,791	341,107	(419,714)
Receivables from sales of investments	120,187	-	120,187	-
Interfund transfer receivable (payable)	-	(986,218)	(139,297)	1,125,515
Total assets	$219,396,848	$154,728,029	$16,356,543	$48,312,276
LIABILITIES AND PLAN EQUITY				
Due to former participants	$ 2,720,083	$ 1,793,718	$ 303,521	$ 622,844
Payables for purchases of investments	1,296,263	794,486	501,777	-
Plan equity	215,380,502	152,139,825	15,551,245	47,689,432
Total liabilities and plan equity	$219,396,848	$154,728,029	$16,356,543	$48,312,276

Schedule 3

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Income and Changes in Plan Equity

December 31, 1989

	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investment income:				
Dividends	$ 709,450	$ 83,402	$ 626,048	$ -
Interest	5,108,561	63,460	95,339	4,949,762
Total investment income	5,818,011	146,862	721,387	4,949,762
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants	1,956,415	1,956,415	-	-
Net gain on sales of common stock	1,082,374	-	1,082,374	-
Net increase in unrealized appreciation of plan assets	82,833,505	81,510,811	1,322,694	-
	91,690,305	83,614,088	3,126,455	4,949,762
Contributions:				
Participants	21,549,642	9,728,524	3,311,978	8,509,140
Employer	6,937,953	6,937,953	-	-
Total contributions	28,487,595	16,666,477	3,311,978	8,509,140
Interest on participants' loans	219,897	200,749	4,842	14,306
Participants' transfers	-	(1,969,840)	(741,703)	2,711,543
Total	120,397,797	98,511,474	5,701,572	16,184,751
Distributions to terminated and withdrawing participants:				
Capital Cities/ABC, Inc. common stock, at market value	5,333,198	5,333,198	-	-
Cash	15,502,327	8,411,892	1,547,569	5,542,866
Total distributions	20,835,525	13,745,090	1,547,569	5,542,866
Change in plan equity	99,562,272	84,766,384	4,154,003	10,641,885
Plan equity:				
Beginning of year	215,380,502	152,139,825	15,551,245	47,689,432
End of year	$314,942,774	$236,906,209	$19,705,248	$58,331,317

Schedule 3
(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Income and Changes in Plan Equity

December 31, 1988

	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investment income:				
Dividends	$ 587,779	$ 82,370	$ 505,409	$ -
Interest	3,886,479	76,716	62,560	3,747,203
Total investment income	4,474,258	159,086	567,969	3,747,203
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants	1,296,099	1,296,099	-	-
Net gain on sale of common stock	1,027,944	-	1,027,944	-
Net increase in unrealized appreciation of plan assets	7,957,446	6,387,067	1,570,379	-
	14,755,747	7,842,252	3,166,292	3,747,203
Contributions:				
Participants	20,674,930	6,610,991	1,487,553	12,576,386
Employer	7,186,990	7,186,990	-	-
Total contributions	27,861,920	13,797,981	1,487,553	12,576,386
Interest on participants' loans	106,786	106,786	-	-
Participants' transfers	-	518,889	741,464	(1,260,353)
Total	42,724,453	22,265,908	5,395,309	15,063,236
Distributions to terminated and withdrawing participants:				
Capital Cities/ABC, Inc. common stock, at market value	3,167,098	3,167,098	-	-
Cash	13,603,426	7,595,999	1,283,335	4,724,092
Total distributions	16,770,524	10,763,097	1,283,335	4,724,092
Change in plan equity	25,953,929	11,502,811	4,111,974	10,339,144
Plan equity:				
Beginning of year	189,426,573	140,637,014	11,439,271	37,350,288
End of year	$215,380,502	$152,139,825	$15,551,245	$47,689,432

Schedule 3
(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Income and Changes in Plan Equity

December 31, 1987

	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investment income:				
Dividends	$ 484,844	$ 79,536	$ 405,308	$ -
Interest	3,235,858	70,988	28,088	3,136,782
Total investment income	3,720,702	150,524	433,396	3,136,782
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants	1,139,770	1,139,770	-	-
Net gain on sale of common stock	1,561,690	-	1,561,690	-
Net increase in unrealized appreciation of plan assets	28,088,133	29,682,485	(1,594,352)	-
	34,510,295	30,972,779	400,734	3,136,782
Contributions:				
Participants	15,849,443	7,931,724	2,545,577	5,372,142
Employer	6,089,889	6,089,889	-	-
Total contributions	21,939,332	14,021,613	2,545,577	5,372,142
Interest on participants' loans	93,349	93,349	-	-
Participants' transfers	-	407,941	(545,783)	137,842
Total	56,542,976	45,495,682	2,400,528	8,646,766
Distributions to terminated and withdrawing participants:				
Capital Cities/ABC, Inc. common stock, at market value	4,534,258	4,534,258	-	-
Cash	13,202,448	7,726,092	1,269,291	4,207,065
Total distributions	17,736,706	12,260,350	1,269,291	4,207,065
Change in plan equity	38,806,270	33,235,332	1,131,237	4,439,701
Plan equity:				
Beginning of year	150,620,303	107,401,682	10,308,034	32,910,587
End of year	$189,426,573	$140,637,014	$11,439,271	$37,350,288

CONSENT OF ERNST & YOUNG

We consent to incorporation by reference in Registration Statement (Form S-8 No 33-2196) pertaining to the Capital Cities/ABC, Inc. Savings and Investment Plan and in the related Prospectus of our report dated March 19, 1990, with respect to the combined financial statements and schedules of the Capital Cities/ABC, Inc. Savings & Investment Plan included in this annual report (Form 11-K) for the year ended December 31, 1989.

Ernst & Young

ERNST & YOUNG

New York, New York
March 19, 1990

Exhibit (28)(b)

To Be Incorporated By Reference Into Form S-8 Registration Statment No. 2-58945

UNDERTAKINGS

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given a copy of the registrant's annual report to stockholders for its last fiscal year, unless such employee otherwise has received a copy of such report, in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120 day period the annual report for the last fiscal year will be furnished to each such employee.

The undersigned registrant hereby undertakes to transmit or cause to be transmitted to all employees participating in the plan who do not otherwise receive such material as stockholders of the registrant, at the time and in the manner such material is sent to its stockholders, copies of all reports, proxy statements and other communications distributed to its stockholders generally.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

END