

CAPITAL CITIES ABC INC /NY/

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CAPITAL CITIES BROADCASTING CORP

/FMR

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SIC 4833

NYSE

SEC # 1-4278

FOR 12/31/92

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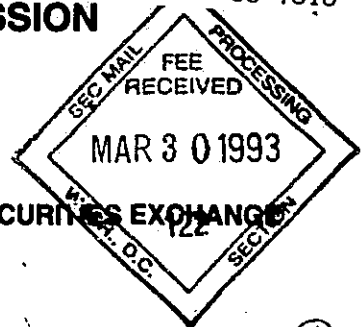
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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K - *HS*



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

For the fiscal year ended December 31, 1992.

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.** *L4N*

(Exact name of registrant as specified in its charter)

**New York**

(State or other jurisdiction of incorporation or organization)

**14-1284013**

(I.R.S. Employer Identification No.)

**77 West 66th Street, New York, N.Y.**

(Address of principal executive offices)

**10023-6298**

(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  No

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is \$6,516,000,000 as of February 26, 1993.

The number of shares outstanding of the issuer's common stock as of February 26, 1993: 16,429,363 shares, excluding 1,964,133 treasury shares.

Portions of Part I are incorporated herein by reference to the 1992 Annual Report to Shareholders and the definitive Proxy Statement for the annual meeting of shareholders to be held on May 13, 1993.

Part II and Part IV, with the exception of certain schedules and exhibits, are incorporated herein by reference to the 1992 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 13, 1993.

## PART I

### Item 1. *Business.*

Capital Cities/ABC, Inc., directly or through its subsidiaries (the "Company") operates the ABC Television Network, eight television stations, the ABC Radio Networks and 17 radio stations, and provides programming for cable television. The Company also publishes daily and weekly newspapers, shopping guides, various specialized and business periodicals, books, and provides research services and also distributes information from data bases.

### Employees

At December 31, 1992, the Company had approximately 19,250 full-time equivalent employees: 10,200 in broadcasting operations, 8,800 in publishing operations and 250 in corporate activities.

### Industry Segments

Information relating to the industry segments of the Company's operations is included on page 33 of the Company's Annual Report to Shareholders and is hereby incorporated by reference. In 1992, the Company derived approximately 85% and 65% of its broadcasting and publishing revenues, respectively, from the sale of advertising. The remainder of the broadcasting revenues are principally derived from subscriber-related fees and programming distribution activities. The balance of publishing revenues are derived from subscription and other circulation receipts and the sale of books and records. The Company's inspirational books and records business was sold in November 1992.

## Broadcasting

### Television and Radio Networks

The Company operates the ABC Television Network which as of December 31, 1992, had 228 primary affiliated stations reaching 99.9% of all U.S. television households. A number of secondary affiliated stations add to the primary coverage. The ABC Television Network broadcasts a program schedule consisting of Monday through Friday Early Morning, Daytime and Late Night, Monday through Sunday Prime Time and News, as well as Children's programs and Sports, which are largely weekend. The Company also operates the ABC Radio Networks which served a total of approximately 3,175 affiliates as of December 31, 1992 through eight different program services, each with its own group of affiliated stations. The ABC Radio Networks also produces and distributes 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, nine standard (AM) radio stations and eight 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*

<u>Station and market</u>	<u>Channel</u>	<u>Expiration date of FCC authorization</u>	<u>Television market ranking(1)</u>
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, 1997	3
WPVI-TV (Philadelphia, PA) .....	6	Aug. 1, 1994	4
KGO-TV (San Francisco, CA) .....	7	Dec. 1, 1993	5
KTRK-TV (Houston, TX) .....	13	Aug. 1, 1993	11
WTVD (Durham-Raleigh, NC) .....	11	Dec. 1, 1996	32
KFSN-TV (Fresno, CA) .....	30	Dec. 1, 1993	57

*Radio stations*

<u>Station and market</u>	<u>Frequency AM-Kilohertz FM-Megahertz</u>	<u>Expiration date of FCC authorization</u>	<u>Radio market ranking(4)</u>
WABC (New York, NY) .....	770 K	June 1, 1998	1
KABC (Los Angeles, CA) .....	790 K	(2)	2
WLS (Chicago, IL) .....	890 K	Dec. 1, 1996	3
KGO (San Francisco, CA) .....	810 K	Dec. 1, 1997	4
WJR (Detroit, MI) .....	760 K	Oct. 1, 1996	6
WMAL (Washington, D.C.) .....	630 K	Oct. 1, 1995	7
WBAP (Fort Worth-Dallas, TX) .....	820 K	Aug. 1, 1997	8
WKHX (Atlanta, GA) (3) .....	590 K	Apr. 1, 1996	12
KQRS (Minneapolis-St. Paul, MN) .....	1440 K	Apr. 1, 1997	17
WPLJ(FM) (New York, NY) .....	95.5 M	June 1, 1998	1
KLOS(FM) (Los Angeles, CA) .....	95.5 M	(2)	2
WLS-FM (Chicago, IL) .....	94.7 M	Dec. 1, 1996	3
WHYT(FM) (Detroit, MI) .....	96.3 M	Oct. 1, 1996	6
WRQX(FM) (Washington, D.C.) .....	107.3 M	Oct. 1, 1995	7
KSCS(FM) (Fort Worth-Dallas, TX) (3) .....	96.3 M	Aug. 1, 1997	8
WKHX-FM (Atlanta, GA) (3) .....	101.5 M	Apr. 1, 1996	12
KQRS-FM (Minneapolis-St. Paul, MN) .....	92.5 M	Apr. 1, 1997	17

- (1) Based on Nielsen U.S. Television Household Estimates, 1992-1993 season.
- (2) See "Licenses—Federal Regulation of Broadcasting/Renewal Matters" below for description of pending license renewal applications and other matters.
- (3) No ABC network affiliation.
- (4) Based on Arbitron Radio Market Survey Schedule and Population Rankings (metro survey area) as of Fall 1992.
- (5) WPRO-AM and WPRO-FM Providence, Rhode Island, owned by the Company, are under contract to be sold with a closing expected in the second quarter of 1993.

## Video Enterprises

The Company's Video Enterprises 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 in the investment in foreign-based television and theatrical film production and distribution entities. Its primary services and household reach are:

ESPN, an 80%-owned cable sports programming service reaching 61,400,000 households. It owns 33% of Eurosport, a Paris, France based pan-European satellite-delivered cable and direct-to-home sports programming service reaching 40,000,000 households; 10% of TV Sport, Eurosport's French affiliate; and 20% of Japan Sports Network;

The Arts & Entertainment Network, a 33 1/3%-owned cable programming service devoted to cultural and entertainment programming and reaching 52,000,000 households;

Lifetime, a 33 1/3%-owned cable programming service devoted to women's lifestyle and health programming with special material for health care professionals and reaching 56,500,000 households;

Tele-Munchen GmbH, a 50%-owned Munich, Germany based television and theatrical production/distribution company with interests in cinemas and minority interests in a Munich radio station; and

Hamster Productions, S.A., a 33 1/3 %-owned, and Tesauro, S.A., a 25%-owned, television and theatrical production/distribution companies based in Paris, France and Madrid, Spain, respectively.

## 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 programs, 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 competes 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. This includes a wide range of advertiser-supported and subscription-supported video programming services. Subscription-supported video programming services are also provided by multipoint distribution services ("MDS") 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. Further, "compression technology," if fully developed, could encourage a proliferation of competing program services by allowing a multiplicity of video services to share the same broadcast or cable channel or satellite transponder. Finally, the increased in-home use of video cassette recorders 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 Federal Communications Commission (the "FCC") has initiated proceedings looking toward the adoption of a standard for the use of high definition technology for television service in the United States.

There is also a new radio technology known as "digital audio" which could result in additional competition to the Company's radio stations and radio networks. Digital audio is capable of providing "compact disk" quality, a quality much higher than can now be provided by existing AM and FM broadcasting services. It is not yet clear when and to what extent existing radio stations and networks will be able to avail themselves of this new technology and whether the listening public will make choices among services on the basis of the difference in audio quality. The Company and many others within the radio industry are studying this new technology, and the FCC has initiated a proceeding to seek information to assist it in developing technical standards and regulatory policies for the possible introduction of such new digital audio radio services.

#### **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 therefor. During certain periods when a renewal application is pending, new 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 KABC(AM) and KLOS-FM. The time to file competing applications and petitions to deny has passed, and no such filings have been made against these stations. All of the Company's other owned stations have been granted license renewals by the FCC for regular terms.

##### *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. The rules also limit the number of radio stations a single company can own 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 eighteen AM and eighteen 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 23.69%. The Company also owns nine AM and eight 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. The Company currently owns daily newspapers in two markets in which it also holds radio licenses. For purposes of these rules, *The Oakland Press* and WJR(AM) and WHYT-FM, licensed to Detroit, are treated as in the same market, as are the *Fort Worth Star-Telegram* and WBAP(AM) 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 also provide that television licensees may not own cable television systems in communities within the service contours of their television stations. In 1992, the FCC relaxed the rule that previously prohibited common ownership of television networks and cable television systems to permit such combinations subject to a national limit of 10% of "homes passed" (i.e., homes within the service areas of cable systems) by cable as well as a local limit of 50% of homes passed within any ADI (Area of Dominant Influence, i.e., local television market area as defined by Arbitron Television Ratings).

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 as well as CBS Inc. and the National Broadcasting Company, Inc. (NBC) are currently subject to FCC rules that restrict their ability to acquire financial interests in television programs or engage in program syndication. During 1990 and 1991, the FCC conducted a rulemaking proceeding examining whether to repeal, retain or modify these rules. In 1991, the FCC decided to modify rather than eliminate the rules. The Company as well as CBS and NBC and others appealed the FCC's decision to the United States Court of Appeals for the Seventh Circuit. The Company's position is that the rules should be eliminated. The Court ruled that the FCC's decision was arbitrary and capricious and remanded the case to the FCC for further proceedings. Under the current Court ruling, the modified rules will remain in effect until early April 1993, pending FCC action on the remand. The Company is not able to predict the outcome of this proceeding. In addition, other FCC rules essentially 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. on Monday through Saturday.

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 restrict the Company's ability to engage in the business of distributing programs directly to television stations in the United States or overseas. These injunctive provisions of the consent judgment continue in perpetuity. In addition, the consent judgment contains provisions regulating for a period expiring in 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. Similar judgments have been entered against CBS and NBC with respect to their television networks. In 1992, the United States Department of Justice, at the request of the Company, CBS and NBC, joined in a motion to the United States District Court to eliminate the provisions of the consent decree

relating to the acquisition of rights in or distribution of television programs. The Court conducted and completed a public notice and comment procedure in connection with the motion. A decision on the motion is pending. The Company is not able to predict the outcome of this proceeding.

### **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 the FCC's "must carry" 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.

In 1992, the U.S. Congress enacted the Cable Television Consumer Protection and Competition Act. The Act gives television stations the right to elect "must carry" protection (including protection on channel position) on local cable systems. In the alternative, the Act permits local stations to negotiate with cable systems the terms and conditions of "retransmission consent" to carry their signals and to withhold their signals in the event that no consent on terms and conditions are reached. The Act also reimposes cable system rate regulation and introduces new regulations designed to ensure that MDS and other multi-channel video programmers have access to programming to facilitate competition with cable systems. The Act requires the FCC to conduct rulemaking proceedings to establish national cable system ownership limits, to establish limits on cable channels devoted to video programmers in which the cable system has an interest, and to prohibit coercive or discriminatory practices by cable operators in dealings with video programmers (such as ESPN, Arts & Entertainment and Lifetime). Cable operators have filed lawsuits challenging the "must carry/retransmission consent" rules, rate regulation and other aspects of the Act on constitutional and other grounds. The Company cannot predict the outcome of this litigation.

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 MDS, and has expanded the number of frequencies available for MDS by allocating two groups of four channels each for the so-called multichannel MDS, to be awarded by lottery. 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 also faces potential competition to its broadcast and cable program services and to its newspaper operations from telephone companies. Telephone companies are seeking to expand their broadband networks to provide both data transmission services ("electronic publishing") and video services to the home. Until 1991, the regional Bell operating companies were prohibited from providing information services by the Modified Final Judgment that governed the break-up of American Telephone and Telegraph Company. While that prohibition has been lifted, telephone companies continue to be prohibited by the Cable Act of 1984 from providing video programming directly to their telephone subscribers. Two recent developments may affect potential telephone company competition. First, the FCC decided in 1992 to permit telephone companies to offer "video dialtone" distribution services to programmers on a common carrier basis without having to obtain a municipal cable franchise. Second, Bell Atlantic Corporation filed suit in December 1992 challenging the constitutionality of the Cable Act prohibition. In addition, there have been a number of legislative proposals that would either tighten or relax the restrictions on telephone company entry into information services. The Company cannot predict the outcome of these developments or the competitive effect of these services and potential 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):

	1992	1991	1990	1989	1988	Pro Forma (b)	
						1992	1991
<b>Inches of advertising</b>							
Newspapers (a) .....	18,396	17,550	18,421	15,844	15,757	18,396	17,550
Specialized publications .....	3,004	2,921	3,399	3,603	3,729	2,873	2,725
<b>Advertising revenue</b>							
Newspapers—ROP .....	\$301,182	\$291,592	\$307,634	\$290,545	\$278,789	\$301,182	\$291,592
Newspapers—inserts .....	55,278	51,695	49,800	44,694	43,523	55,252	51,695
Shopping guides .....	71,137	66,370	65,834	62,111	61,238	67,963	65,493
Specialized publications .....	270,885	267,974	307,686	310,169	305,665	255,911	249,461
<b>Circulation revenue</b>							
Newspapers .....	\$ 96,226	\$ 93,697	\$ 85,933	\$ 82,582	\$ 75,025	\$ 96,226	\$ 93,697
Specialized publications .....	47,253	53,024	59,471	65,882	64,311	44,666	43,106
<b>Other operating revenue</b>							
Newspapers .....	\$ 18,200	\$ 14,323	\$ 10,813	\$ 6,635	\$ 5,218	\$ 16,667	\$ 14,323
Shopping guides .....	4,220	3,589	4,171	4,337	5,024	3,988	3,551
<b>Specialized publications</b>							
Books/Music .....	118,967	116,708	111,643	108,012	100,909	30,817	30,981
Research services, data base and other .....	95,218	93,274	98,984	82,438	84,194	77,545	76,760
<b>Total revenue</b>							
Newspapers .....	\$470,886	\$451,307	\$454,180	\$424,456	\$402,555	\$469,327	\$451,307
Shopping guides .....	75,357	69,959	70,005	66,448	66,262	71,951	69,044
Specialized publications .....	532,323	530,980	577,784	566,501	555,079	408,939	400,308
<b>Paid circulation at year-end</b>							
Newspapers (Mon.-Fri.) .....	754	741	769	891	908	754	741
Newspapers (Sun.) .....	992	966	958	930	915	992	966
Specialized publications .....	1,356	1,768	2,164	3,256	4,515	1,130	1,275

(a) Does not include inserts.

(b) Excludes 1992 and 1991 acquisitions, start-ups and disposals.

### Daily Newspapers

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

		<u>Daily</u>	<u>Sunday</u>
<i>The Kansas City Star</i> .....	Morning	293,000	428,000
<i>Fort Worth Star-Telegram</i> .....	All Day	256,000	353,000
<i>The Oakland Press</i> (Pontiac, MI) .....	Morning	72,000	81,000
<i>Belleville News-Democrat</i> (Belleville, IL) .....	Morning	51,000	60,000
<i>The Times Leader</i> (Wilkes-Barre, PA) .....	Morning	48,000	61,000
<i>Albany Democrat-Herald</i> (Albany, OR) .....	Evening	21,000	
<i>Milford Citizen</i> (Milford, CT) .....	Evening	7,000	9,000
<i>The Daily Tidings</i> (Ashland, OR) .....	Evening	6,000	

### Weekly Newspapers

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

<u>State</u>	<u>Number of Publications</u>	<u>Aggregate Circulation</u>
Connecticut .....	30	191,000
Illinois .....	12	57,000
Massachusetts .....	18	55,000
Michigan .....	5	150,000
Oregon .....	6	40,000
Pennsylvania .....	1	11,000
Rhode Island .....	3	20,000

### Shopping Guides and Real Estate Magazines

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

<u>State</u>	<u>Number of Publications</u>	<u>Aggregate Circulation</u>
California .....	6	1,881,000
Connecticut .....	9	156,000
Kansas .....	1	144,000
Massachusetts .....	13	231,000
Michigan .....	7	98,000
Missouri .....	1	136,000
Nevada .....	4	106,000
Oregon .....	6	227,000
Pennsylvania .....	2	76,000
Rhode Island .....	1	23,000
Texas .....	2	65,000
Washington .....	4	379,000

## Specialized Publications

The Specialized Publications consists of three groups: the Diversified Publishing Group, the Fairchild Publications Group, and the Financial Services and Medical Group. Through these groups it 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. All of the publications are printed by outside printing contractors. Following are the significant publications and services:

<u>Title</u>	<u>Frequency</u>	<u>Circulation</u>
<b>Diversified Publishing Group</b>		
<b>Agricultural Publishing Group</b>		
<i>American Agriculturist</i> .....	15 times per year	47,000
<i>California Farmer</i> .....	15 times per year	45,000
<i>Colorado Farmer</i> .....	15 times per year	17,000
<i>Dakota Grower and Rancher</i> .....	15 times per year	17,000*
<i>Farm Futures</i> .....	Monthly	205,000*
<i>Feedstuffs</i> .....	Weekly	18,000
<i>Iowa Wallaces Farmer</i> .....	15 times per year	76,000*
<i>Kansas Farmer</i> .....	15 times per year	51,000
<i>Michigan Farmer</i> .....	15 times per year	47,000
<i>Minnesota Farmer</i> .....	15 times per year	34,000*
<i>Missouri Ruralist</i> .....	15 times per year	58,000
<i>Nebraska Farmer</i> .....	15 times per year	53,000
<i>Ohio Farmer</i> .....	15 times per year	67,000
<i>Oklahoma Farmer-Stockman</i> .....	Monthly	41,000
<i>Pennsylvania Farmer</i> .....	15 times per year	48,000
<i>Prairie Farmer</i> .....	15 times per year	129,000
<i>Tack 'n Togs Merchandising</i> .....	Monthly	22,000*
<i>Texas Farmer-Stockman</i> .....	Monthly	85,000
<i>Wisconsin Agriculturist</i> .....	15 times per year	48,000*
<b>Chilton Publications</b>		
<i>American Metal Market</i> .....	Daily	11,000
<i>Assembly Engineering</i> .....	9 times per year	60,000*
<i>Automotive Body Repair News</i> .....	Monthly	60,000*
<i>Automotive Industries</i> .....	Monthly	40,000*
<i>Automotive Marketing</i> .....	Monthly	40,000*
<i>Cablevision</i> .....	Biweekly	14,000*
<i>CED (Communications Engineering and Design)</i> .....	Monthly	14,000*
<i>Commercial Carrier Journal</i> .....	Monthly	84,000*
<i>Distribution</i> .....	Monthly	70,000*
<i>Electronic Component News</i> .....	Monthly	120,000*
<i>Energy User News</i> .....	Monthly	40,000*
<i>Food Engineering</i> .....	Monthly	60,000*
<i>Food Engineering International</i> .....	6 times per year	14,000*
<i>Hardware Age</i> .....	Monthly	70,000*
<i>Heat Treating</i> .....	Monthly	22,000*
<i>I&amp;CS (Instrument &amp; Control Systems)</i> .....	Monthly	89,000*
<i>IAN (Instrumentation &amp; Automation News)</i> .....	Monthly	117,000*

<u>Title</u>	<u>Frequency</u>	<u>Circulation</u>
<i>IMPO (Industrial Maintenance &amp; Plant Operations) ...</i>	Monthly	122,000*
<i>Industrial Finishing</i> .....	Monthly	37,000*
<i>Industrial Safety &amp; Hygiene News</i> .....	Monthly	60,000*
<i>Iron Age/Metal Producers</i> .....	Monthly	22,000*
<i>Jewelers' Circular-Keystone</i> .....	Monthly	30,000
<i>Manufacturing Systems</i> .....	Monthly	115,000*
<i>Metal Center News</i> .....	Monthly	15,000*
<i>Motor Age</i> .....	Monthly	134,000*
<i>Multichannel News</i> .....	Weekly	15,000
<i>Office Products Dealer</i> .....	Monthly	30,000*
<i>Outdoor Power Equipment</i> .....	Monthly	20,000*
<i>Owner Operator</i> .....	9 times per year	90,000*
<i>Process Industries Quality</i> .....	6 times per year	42,000*
<i>Product Design and Development</i> .....	Monthly	160,000*
<i>Quality</i> .....	Monthly	96,000*
<i>Quality Europe</i> .....	4 times per year	20,000*
<i>Review of Optometry</i> .....	Monthly	31,000*
<i>Video Business</i> .....	Weekly	44,000*
<i>Video Software Magazine</i> .....	10 times per year	36,000*
<i>Los Angeles</i> .....	Monthly	166,000

The Diversified Publishing Group includes Chilton Enterprises which publishes automotive repair, craft and hobby books, provides custom market research and conducts trade shows, and NLS Publishing Company a data base publisher of information on insurance laws and regulations.

#### **Fairchild Publications Group**

<i>Children's Business</i> .....	Monthly	14,000*
<i>Daily News Record</i> .....	Daily	20,000
<i>Footwear News</i> .....	Weekly	19,000
<i>Golf Pro Merchandiser</i> .....	6 times per year	12,000*
<i>HFD—The Weekly Home Furnishings Newspaper</i> ...	Weekly	30,000
<i>Home Fashions Magazine</i> .....	Monthly	10,000*
<i>SportStyle</i> .....	Biweekly	26,000*
<i>Supermarket News</i> .....	Weekly	51,000
<i>W</i> .....	Biweekly	266,000
<i>W Fashion Europe</i> .....	Monthly	21,000
<i>Women's Wear Daily</i> .....	Daily	54,000

#### **Financial Services and Medical Group**

<i>Institutional Investor</i>		
Domestic Edition .....	Monthly	100,000*
International Edition .....	Monthly	36,000*
<i>Infrastructure Finance</i> .....	Quarterly	28,000*
<i>International Medical News Group</i>		
<i>Clinical Psychiatry News</i> .....	Monthly	32,000*
<i>Family Practice News</i> .....	Semimonthly	73,000*
<i>Internal Medicine News</i> .....	Semimonthly	95,000*
<i>Ob. Gyn. News</i> .....	Semimonthly	31,000*
<i>Pediatric News</i> .....	Monthly	35,000*
<i>Skin &amp; Allergy News</i> .....	Monthly	17,000*

\*All, or substantially all, controlled circulation.

Certain operations within the Publishing Group also publish philatelic magazines, cable guides, books, visuals, journals and newsletters, and conduct meetings and seminars. In late 1992, the Company formed a unit, Capital Cities/ABC Video Publishing, to acquire home video programming rights and to manufacture and distribute video cassettes.

### **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.

### **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 Company owns the ABC Television Center adjacent to the Company's headquarters building on West 66th Street and the ABC Radio Networks' 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's 80%-owned subsidiary ESPN owns ESPN Plaza in Bristol, Connecticut from which it conducts its technical operations. 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.

The Company owns and leases publishing subsidiaries' executive, editorial and other offices and facilities in various cities. For leased properties, the leases expire on various dates through 2003. All of the significant premises occupied by the newspapers are owned by the Company.

### **Item 3. Legal Proceedings.**

All litigation pending during 1992 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

<u>Name</u>	<u>Age</u>	<u>Director since</u>	<u>Officer since</u>	<u>Title and positions during the past five years</u>
Daniel B. Burke .....	64	1967	1962	President, Chief Executive Officer, Chief Operating Officer and Director. Prior to 1990 he was President, Chief Operating Officer and Director.
Thomas S. Murphy .....	67	1957	1958	Chairman of the Board of Directors. Prior to 1990 he was Chairman of the Board of Directors and Chief Executive Officer.
John B. Fairchild .....	66	1968	1968	Executive Vice President, Chairman of Fairchild Publications Group and Director.
John B. Sias .....	66	1977	1975	Executive Vice President and Director. Prior to January 1993 he was Executive Vice President, and President of ABC Television Network Group, and Director.
Ronald J. Doerfler .....	51		1977	Senior Vice President and Chief Financial Officer.
Robert A. Iger .....	42		1993	Senior Vice President, and President of ABC Television Network Group. Prior to January 1993 he was President of ABC Entertainment since 1989. In 1988 and 1989 he was Executive Vice President of ABC Television Network Group. Prior thereto he was Vice President, Program Planning and Acquisition for ABC Sports.
Michael P. Mallardi .....	59		1986	Senior Vice President, and President of Broadcast Group.
Phillip J. Meek .....	55		1975	Senior Vice President, and President of Publishing Group.
Stephen A. Weiswasser ..	52		1986	Senior Vice President. Prior to January 1993 he was Senior Vice President, and Executive Vice President of ABC News. In 1991 he was Senior Vice President, and Executive Vice President of ABC Television Network Group. Prior thereto he was Senior Vice President and General Counsel.
David L. Westin .....	40		1991	Senior Vice President and General Counsel. Prior to 1991 he was engaged in the practice of law as a partner in the law firm of Wilmer, Cutler & Pickering.
Allan J. Edelson .....	50		1981	Vice President and Controller.
David J. Vondrak .....	47		1986	Vice President and Treasurer.

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 1992 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 22 and 23 of the 1992 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 17 through 21 of the 1992 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 24 through 37 of the 1992 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 13, 1993. 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 13, 1993.

**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 13, 1993.

**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. & 2. 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.

3. Exhibits.

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

(b) Reports on Form 8-K.

None filed during Fourth Quarter 1992.

**CAPITAL CITIES/ABC, INC.**

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

(Item 14(a) 1. & 2.)

	<u>Reference</u>	
	<u>Annual Report to Shareholders</u>	<u>Form 10-K</u>
Consolidated balance sheet at December 31, 1992 and December 31, 1991 .....	26	
For the years ended December 31, 1992, 1991 and 1990		
Consolidated statement of income .....	24	
Consolidated statement of cash flows .....	25	
Consolidated statement of stockholders' equity .....	28	
Notes to consolidated financial statements .....	29	
Financial statement schedules for the years ended December 31, 1992, 1991 and 1990		
V — Property, plant and equipment .....		K-20
VI — Accumulated depreciation and amortization of property, plant and equipment .....		K-21
VIII — Valuation and qualifying accounts .....		K-20
X — Supplementary income statement information .....		K-21

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, 1992, are hereby incorporated by reference. With the exception of the Items referred to in Items 1, 5, 6, 7 and 8, the 1992 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, 1992 of our report dated February 26, 1993, included in the 1992 Annual Report to Shareholders of Capital Cities/ABC, Inc.

Our audits also included the financial statement schedules of Capital Cities/ABC, Inc. listed in item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements Form S-8 No. 2-59014 for the registration of 287,195 shares of the Company's common stock, 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, Form S-8 No. 33-25918 for the registration of 200,000 shares, Form S-8 No. 33-33761 for the registration of 200,000 shares, Form S-3 No. 33-38117 for the registration of Debt Securities and Warrants to purchase Debt Securities and Form S-3 No. 33-39652 for the registration of Debt Securities and Warrants to purchase Debt Securities, and in the related Prospectuses and documents constituting Prospectuses, of our above report.

ERNST & YOUNG  
*Ernst & Young*  
New York, New York  
March 15, 1993

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**CAPITAL CITIES/ABC, INC.**  
**INDEX TO EXHIBITS (Item 14 (a) 3.)**

(3)(a) Restated Certificate of Incorporation of the Company, with amendments. Incorporated by reference to Exhibit (3)(a) to the Company's Annual Report on Form 10-K for 1989.

(3)(b) Current By-laws of the Company. Incorporated by reference to Exhibit (3) to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1990.

(4)(a) Capital Cities/ABC, Inc. Standard Multiple-Series Indenture Provisions dated December 7, 1990. Incorporated by reference to Exhibit (4)(a) to Registration Statement No. 33-38117.

(4)(b) Indenture, dated as of December 15, 1990, between the Company and Manufacturers Hanover Trust Company (now Chemical Bank), as Trustee, with respect to Senior Debt Securities. Incorporated by reference to Exhibit (4)(b) to Registration Statement No. 33-38117.

(4)(c) Indenture, dated as of April 1, 1991 between the Company and Manufacturers Hanover Trust Company (now Chemical Bank), as Trustee, with respect to Subordinated Debt Securities. Incorporated by reference to Exhibit (4)(c) to Registration Statement No. 33-39652.

(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. Incorporated by reference to Exhibit 4(e) to the Company's Annual Report on Form 10-K for 1989.

(4)(f) Third Amendment, dated as of April 30, 1992, to the Revolving Credit Agreement set forth in Exhibits (4)(d) and (4)(e) above.

(4)(g) 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)(h) 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.

\* (10)(c) Supplemental Profit Sharing Plan of the Company, as amended through April 9, 1992.

\* (10)(d) Benefit Equalization Plan of the Company, as amended through April 16, 1990.

\* (10)(e) Incentive Compensation Plan of the Company, as amended through January 31, 1993.

\* (10)(f) Employee Stock Option Plan of the Company, as amended through December 15, 1987.

\* (10)(g) 1991 Stock Option Plan of the Company, as amended through March 19, 1991.

\* (10)(h) Contract dated January 2, 1968 between John B. Fairchild and Fairchild Publications, Inc., as amended by contract of June 1977 between Mr. Fairchild and Capital Cities Media, Inc. (a subsidiary of the Company) as successor to Fairchild Publications, Inc. Mr. Fairchild is an executive officer and a director of the Company

\* (10)(i) The Company's Retirement Plan for Nonemployee Directors, as adopted by Board of Directors resolution dated March 20, 1990.

(13) The Company's 1992 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 Company's Savings & Investment Plan for the year ended December 31, 1992.

(28)(b) Undertakings.

\* Executive officers' and directors' compensation plans and arrangements.

**CAPITAL CITIES/ABC, INC.**

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

	<u>Balance at beginning of period</u>	<u>Operating companies acquired</u>	<u>Additions at cost</u>	<u>Retirements or sales</u>	<u>Other changes (a)</u>	<u>Balance at close of period</u>
<b>Year ended December 31, 1992:</b>						
Land and improvements .....	\$ 403,482		\$ 133	\$ (69,799)		\$ 333,816
Buildings and improvements .....	633,859		38,816	(18,683)	\$38,780	692,772
Broadcasting equipment .....	514,799	\$ 296	69,657	(8,321)		576,431
Printing machinery and equipment .....	174,718	50	12,382	(8,273)		178,877
Other, including construction-in-progress .....	234,654	46	(6,252)	(2,110)		226,338
	<u>\$1,961,512</u>	<u>\$ 392</u>	<u>\$ 114,736</u>	<u>\$(107,186)</u>	<u>\$38,780</u>	<u>\$2,008,234</u>
<b>Year ended December 31, 1991:</b>						
Land and improvements .....	\$ 403,338		\$ 221	\$ (77)		\$ 403,482
Buildings and improvements .....	621,470		20,736	(8,347)		633,859
Broadcasting equipment .....	450,807		68,911	(4,919)		514,799
Printing machinery and equipment .....	171,714	\$ 249	7,517	(4,762)		174,718
Other, including construction-in-progress .....	213,731	51	23,613	(2,741)		234,654
	<u>\$1,861,060</u>	<u>\$ 300</u>	<u>\$ 120,998</u>	<u>\$( 20,846)</u>		<u>\$1,961,512</u>
<b>Year ended December 31, 1990:</b>						
Land and improvements .....	\$ 400,665	\$ 783	\$ 2,401	\$ (511)		\$ 403,338
Buildings and improvements .....	583,510	4,794	42,166	(9,000)		621,470
Broadcasting equipment .....	397,925	3,088	53,083	(3,289)		450,807
Printing machinery and equipment .....	162,367	4,470	9,702	(4,825)		171,714
Other, including construction-in-progress .....	199,300	6,942	13,460	(5,971)		213,731
	<u>\$1,743,767</u>	<u>\$ 20,077</u>	<u>\$ 120,812</u>	<u>\$( 23,596)</u>		<u>\$1,861,060</u>

(a) Represents adjustments related to the adoption of *Financial Accounting Standard No. 109 "Accounting for Income Taxes."*

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

	<u>Balance at beginning of period</u>	<u>Additions</u>		<u>Deductions</u>		<u>Balance at close of period</u>
		<u>Operating companies acquired</u>	<u>Charged to expense</u>	<u>Operating companies disposed</u>	<u>Accounts written-off, net</u>	
<b>Deducted from accounts and notes receivable:</b>						
Year ended December 31, 1992...	\$38,302	\$ 24	\$48,458	\$(8,680)	\$(42,990)	\$35,114
Year ended December 31, 1991...	37,840		51,941	(30)	(51,449)	38,302
Year ended December 31, 1990...	36,135	2,263	49,715	(136)	(50,137)	37,840

**CAPITAL CITIES/ABC, INC.**

**ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT—SCHEDULE VI**  
(Thousands of Dollars)

	<u>Balance at beginning of period</u>	<u>Charged to expense</u>	<u>Retire- ments or sales</u>	<u>Balance at close of period</u>
Year ended December 31, 1992:				
Land improvements .....	\$ 2,790	\$ 578	\$ (67)	\$ 3,301
Buildings and improvements .....	141,876	23,691	(6,518)	159,049
Broadcasting equipment .....	326,314	49,852	(7,911)	368,255
Printing machinery and equipment .....	97,262	12,294	(5,300)	104,256
Other .....	49,995	9,249	(1,855)	57,389
	<u>\$618,237</u>	<u>\$ 95,664</u>	<u>\$ (21,651)</u>	<u>\$692,250</u>
Year ended December 31, 1991:				
Land improvements .....	\$ 2,404	\$ 386		\$ 2,790
Buildings and improvements .....	124,663	22,964	\$ (5,751)	141,876
Broadcasting equipment .....	275,749	51,253	(688)	326,314
Printing machinery and equipment .....	89,093	12,140	(3,971)	97,262
Other .....	47,560	9,294	(6,859)	49,995
	<u>\$539,469</u>	<u>\$ 96,037</u>	<u>\$ (17,269)</u>	<u>\$618,237</u>
Year ended December 31, 1990:				
Land improvements .....	\$ 2,058	\$ 390	\$ (44)	\$ 2,404
Buildings and improvements .....	103,735	22,979	(2,051)	124,663
Broadcasting equipment .....	226,814	50,527	(1,592)	275,749
Printing machinery and equipment .....	80,651	12,317	(3,875)	89,093
Other .....	38,343	9,462	(245)	47,560
	<u>\$451,601</u>	<u>\$ 95,675</u>	<u>\$ (7,807)</u>	<u>\$539,469</u>

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)

	<u>Royalties</u>	<u>Advertising costs</u>
Year ended December 31, 1992 .....	\$70,203	\$135,157
Year ended December 31, 1991 .....	66,191	133,018
Year ended December 31, 1990 .....	69,792	145,757

## 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/ DANIEL B. BURKE

(Daniel B. Burke)  
President and Chief Executive Officer

March 15, 1993

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 date indicated:

Principal Executive Officer:

/s/ DANIEL B. BURKE

(Daniel B. Burke)

March 15, 1993

Principal Financial Officer:

/s/ RONALD J. DOERFLER

(Ronald J. Doerfler)

March 15, 1993

Controller:

/s/ ALLAN J. EDELSON

(Allan J. Edelson)

March 15, 1993

Directors:

/s/ ROBERT P. BAUMAN

(Robert P. Bauman)

March 15, 1993

/s/ WARREN E. BUFFETT

(Warren E. Buffett)

March 15, 1993

/s/ DANIEL B. BURKE

(Daniel B. Burke)

March 15, 1993

/s/ FRANK T. CARY

(Frank T. Cary)

March 15, 1993

/s/ JOHN B. FAIRCHILD

(John B. Fairchild)

March 15, 1993

/s/ LEONARD H. GOLDENSON

(Leonard H. Goldenson)

March 15, 1993

/s/ FRANK S. JONES

(Frank S. Jones)

March 15, 1993

/s/ ANN DIBBLE JORDAN

(Ann Dibble Jordan)

March 15, 1993

/s/ JOHN H. MULLER, JR.

(John H. Muller, Jr.)

March 15, 1993

/s/ THOMAS S. MURPHY

(Thomas S. Murphy)

March 15, 1993

/s/ WYNDHAM ROBERTSON

(Wyndham Robertson)

March 15, 1993

/s/ JOHN B. SIAS

(John B. Sias)

March 15, 1993

/s/ WILLIAM I. SPENCER

(William I. Spencer)

March 15, 1993

/s/ M. CABELL WOODWARD, JR.

(M. Cabell Woodward, Jr.)

March 15, 1993

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)

Daniel B. Burke  
(Daniel B. Burke)

President and Chief Executive Officer March 15, 1993

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 date indicated:

Principal Executive Officer:

Daniel B. Burke  
(Daniel B. Burke)

March 15, 1993

Principal Financial Officer:

Ronald J. Doerfler  
(Ronald J. Doerfler)

March 15, 1993

Controller:

Allan J. Edelson  
(Allan J. Edelson)

March 15, 1993

Directors:

Robert P. Bauman  
(Robert P. Bauman)

March 15, 1993

Warren E. Buffett  
(Warren E. Buffett)

March 15, 1993

Daniel B. Burke  
(Daniel B. Burke)

March 15, 1993

Frank T. Cary  
(Frank T. Cary)

March 15, 1993

John B. Fairchild  
(John B. Fairchild)

March 15, 1993

Leonard H. Goldenson  
(Leonard H. Goldenson)

March 15, 1993

Frank S. Jones  
(Frank S. Jones)

March 15, 1993

Ann Dibble Jordan  
(Ann Dibble Jordan)

March 15, 1993

John H. Muller, Jr.  
(John H. Muller, Jr.)

March 15, 1993

Thomas S. Murphy  
(Thomas S. Murphy)

March 15, 1993

Wyndham Robertson  
(Wyndham Robertson)

March 15, 1993

John B. Sias  
(John B. Sias)

March 15, 1993

William I. Spencer  
(William I. Spencer)

March 15, 1993

M. Cabell Woodward, Jr.  
(M. Cabell Woodward, Jr.)

March 15, 1993



**DISCLOSURE.**  
Information Services, Inc.

5161 River Road  
Bethesda, MD 20816  
(301) 951-1300

**EXHIBITS  
FOLLOW**

CONFORMED COPY

THIRD AMENDMENT dated as of April 30, 1992 (this "Third Amendment"), to the Existing Credit Agreement (as hereinafter defined), among CAPITAL CITIES/ABC, INC., a New York corporation (the "Company"), the Borrowing Subsidiaries (as defined in the Existing Credit Agreement and together with the Company, the "Borrowers"), the banks listed on Schedule I hereto under the captions "Departing Banks" (the "Departing Banks"), "Continuing Banks" (the "Continuing Banks") and "Additional Banks" (the "Additional Banks" and, together with the Departing Banks and Continuing Banks, the "Banks"), and CHEMICAL BANK, a New York banking corporation, as agent for the banks under the Existing Credit Agreement and under the Restated Credit Agreement (as defined below) (in such capacity, the "Agent").

A. The Company, the Borrowing Subsidiaries, the Departing Banks, the Continuing Banks, and the Agent are parties to a Revolving Credit Agreement dated as of January 3, 1986, as amended and restated through June 30, 1987, and as amended as of June 30, 1989 (the "Existing Credit Agreement").

B. Each of the Departing Banks has agreed, upon the terms and subject to the conditions set forth or referred to herein, to terminate its Commitment in full and to cease to be a party to the Existing Credit Agreement.

C. The Company has requested, and the Additional Banks and Continuing Banks have agreed, upon the terms and subject to the conditions set forth or referred to herein, that the Existing Credit Agreement be amended and restated, to extend to June 30, 1995, the Commitments of the Additional Banks and the Continuing Banks as set forth in the Section 2.01 of the Restated Credit Agreement (as defined below) and to give effect to certain other changes.

D. Accordingly, in consideration of the mutual agreements herein contained and other good and valuable

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consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Restated Credit Agreement.

SECTION 2. Conditions to Effectiveness. This Third Amendment shall become effective only upon satisfaction in full, on or prior to April 30, 1992, of the conditions precedent set forth in Section 5 hereof (such date, in the event that each of such conditions has been satisfied, being herein called the "Effective Date").

SECTION 3. Amendment and Restatement of the Existing Credit Agreement; Delivery of Notes. (a) The Borrowers, the Additional Banks, the Continuing Banks and the Agent agree that the Existing Credit Agreement (including all Exhibits and Schedules thereto) is hereby amended and restated, effective as of the Effective Date, to read in its entirety as set forth in Exhibit A hereto (the "Restated Credit Agreement").

(b) On the Effective Date, the Departing Banks and the Continuing Banks shall deliver to the Agent, for delivery to and cancelation by the Company, all Notes issued under the Existing Credit Agreement and then held by them (collectively, the "Old Notes"). On the Effective Date, the Company shall execute and deliver to the Agent for the account of each Additional Bank and Continuing Bank the Notes which each Additional Bank and Continuing Bank is entitled to receive pursuant to Section 4.01(d) of the Restated Credit Agreement in the respective forms set forth as exhibits thereto (the "New Notes"). The Agent shall release and deliver the Old Notes to the Company for cancelation and deliver the New Notes to the Additional Banks and Continuing Banks.

SECTION 4. Fees. (a) On the Effective Date, the Company shall pay to the Agent for the accounts of the Departing Banks and Continuing Banks the Facility Fees which have accrued pursuant to Section 2.07 of the Existing Credit Agreement for the period from the last date such Facility Fees were paid to and including the Effective Date.

(b) The fees payable under this Section 4 shall be payable in immediately available funds and, once paid, shall not be refundable under any circumstances.

SECTION 5. Conditions. The effectiveness of this Third Amendment shall be conditioned on the satisfaction of the following conditions precedent on or prior to the date set forth in Section 2 above:

(i) The Agent shall have received a signed copy for each Bank of a favorable written opinion of Hall, Dickler, Lawler, Kent & Friedman, 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 Annex 1 hereto.

(ii) The Agent shall have received a signed copy for each Bank of a favorable written opinion of the General Counsel of 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 Annex 2 hereto.

(iii) Each Bank shall have received (x) a copy of the Company's Certificate of Incorporation and Bylaws, including all amendments, if any, 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 as of 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 Board of Directors of the Company authorizing the execution and delivery of this Third Amendment, the Restated Credit Agreement and the New Notes, and (C) as to the incumbency and specimen signature of each officer of the Company executing this Third Amendment, the Restated Credit Agreement and the New Notes 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.

(iv) 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 that (x) all the representations and warranties of the Company set forth in Article III of the Restated Credit Agreement are and will on the Effective Date be true and correct in all material respects, (y) on the Effective Date (and after giving effect to this Third Amendment) the Company will be in compliance with all the terms and provisions set forth in the Restated Credit Agreement 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 will have occurred and be continuing and (z) each of this Third Amendment, the Restated Credit Agreement and the New Notes has been duly authorized, executed and delivered by the Company, and each of this Third Amendment, the Restated Credit Agreement and the New Notes constitutes a legal valid and binding obligation of the Company, enforceable in accordance with its terms.

(v) The Agent shall have received counterparts of this Third Amendment which, when taken together, bear the signatures of all the parties hereto.

(vi) The Company shall have paid to the Agent the fees and expenses due and payable pursuant to Sections 4 and 6. hereof.

(vii) All legal matters in connection with this Third Amendment shall be satisfactory to Cravath, Swaine & Moore, counsel for the Agent.

SECTION 6. Expenses. The Company agrees to pay all reasonable out-of-pocket expenses incurred by the Agent in connection with the preparation of this Third Amendment and the Restated Credit Agreement and the transactions contemplated hereby or thereby (whether or not such transactions shall be consummated).

SECTION 7. Applicable Law. (a) THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 8. Notices. All notices hereunder shall be given in accordance with the provisions of Section 10.01 of the Restated Credit Agreement.

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SECTION 9. Counterparts. This Third Amendment may be signed in any number of counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 10. Headings. The headings of this Third Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Third 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

David J. Vondrak

Name: David J. Vondrak

Title: Vice President &  
Treasurer

CHEMICAL BANK, individually and  
as Agent

by

Stephen B. Paras

Name: Stephen B. Paras

Title: Vice President

BANK OF AMERICA NT & SA,

by

Matthew A. Flynn

Name: Matthew A. Flynn

Title: Vice President

THE BANK OF NEW YORK,

by

Kalpana Raina

Name: Kalpana Raina

Title: Assistant Vice  
President

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THE CHASE MANHATTAN BANK, N.A.,

by

Robert T. Smith

Name: Robert T. Smith

Title: Vice President

THE FIRST NATIONAL BANK OF  
BOSTON,

by

Lisa C. Gallagher

Name: Lisa C. Gallagher

Title: Vice President

MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK,

by

David L. Greenwood

Name: David L. Greenwood

Title: Vice President

NBD BANK, N.A.,

by

Carolyn J. Parks

Name: Carolyn J. Parks

Title: Vice President

CANADIAN IMPERIAL BANK OF  
COMMERCE,

by

John P. White

Name: John P. White

Title: Vice President

CITIBANK, N.A.,

by

Peter E. Dillon

Name: Peter E. Dillon

Title: Vice President

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CONTINENTAL BANK N.A.,

by  
Robert A. Curley, Jr.  
Name: Robert A. Curley, Jr.  
Title: Managing Director

THE FIRST NATIONAL BANK OF CHICAGO,

by  
Norah McCloy  
Name: Norah McCloy  
Title: Vice President

ROYAL BANK OF CANADA

by  
Alexander Birr  
Name: Alexander Birr  
Title: Senior Manager

SOCIETE GENERALE,

by  
Pascale M. Hainline  
Name: Pascale M. Hainline  
Title: Vice President

THE TORONTO-DOMINION BANK,

by  
Emil Fung  
Name: Emil Fung  
Title: Managing Director

BANKERS TRUST COMPANY,

by  
William J. Hughes  
Name: William J. Hughes  
Title: Vice President

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THE BANK OF NOVA SCOTIA,

by

D. B. Crawford

Name: D. B. Crawford

Title: Authorized Signatory

SWISS BANK CORPORATION,

by

Willy Schmid

Name: Willy Schmid

Title: Vice President

by

Martin J. Schmid

Name: Martin J. Schmid

Title: Assistant Vice  
President

COMMERCE BANK OF KANSAS CITY,

by

Dama Stephenson

Name: Dama Stephenson

Title: Vice President

MARINE MIDLAND BANK, N.A.,

by

Mary Ann Tappero

Name: Mary Ann Tappero

Title: Assistant Vice  
President

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

by

Walter Beck

Name: Walter Beck

Title: Executive Vice  
President

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MANUFACTURERS HANOVER TRUST COM-  
PANY,

by  
Stephen B. Paras  
Name: Stephen B. Paras  
Title: Vice President

BANK OF AMERICA NT & SA  
(successor to Security Pacific  
National Bank),

by  
Matthew A. Flynn  
Name: Matthew A. Flynn  
Title: Vice President

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Departing Banks

Manufacturers Hanover Trust Company  
Security Pacific National Bank

Additional Banks

Canadian Imperial Bank of Commerce  
Citibank, N.A.  
Societe Generale  
The Toronto-Dominion Bank  
Swiss Bank Corporation

Continuing Banks

Chemical Bank  
Bank of America NT & SA  
The Bank of New York  
The Chase Manhattan Bank, N.A.  
The First National Bank of Boston  
Morgan Guaranty Trust Company of New York  
NBD Bank, N.A.  
Continental Bank N.A.  
The First National Bank of Chicago  
Royal Bank of Canada  
Bankers Trust Company  
The Bank of Nova Scotia  
Commerce Bank of Kansas City  
Marine Midland Bank, N.A.  
United Missouri Bank of Kansas  
City, N.A.

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CAPITAL CITIES/ABC, INC.

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REVOLVING CREDIT AGREEMENT

Dated as of January 3, 1986  
as Amended and Restated  
through April 30, 1992

with

CERTAIN BANKS

and

CHEMICAL BANK,  
as Agent

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[CS&M Ref. No. 6700-088]

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AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT dated as of January 3, 1986, as amended through April 30, 1992, among CAPITAL CITIES/ABC, INC., a New York corporation (the "Company"), the Banks named in paragraph 2.01 hereof (the "Banks"), and CHEMICAL BANK, a New York banking corporation, as Agent for the Banks (in such capacity, the "Agent").

The Company has requested the Banks to extend credit to the Borrowers (as herein defined) in order to enable them to borrow on a standby revolving credit basis on and after the date hereof and at any time and from time to time prior to the Maturity Date (as herein defined) a principal amount not in excess of \$1,000,000,000 at any time outstanding. The Company has also requested the Banks to provide a procedure pursuant to which the Borrowers may invite the Banks to bid on an uncommitted basis on short-term borrowings by the Borrowers. The proceeds of such borrowings are to be used to provide funds for general corporate purposes and commercial paper back-up. The Banks are willing to extend such credit to the Borrowers on the terms and subject to the conditions herein set forth.

Accordingly, the Borrowers, the Banks and the Agent agree as follows:

#### I. DEFINITIONS

For purposes hereof, the terms:

"Adjusted CD Rate" shall mean, with respect to any Certificate of Deposit Loan for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (a) a rate per annum equal to the product of (i) the Fixed Certificate of Deposit Rate in effect for such Interest Period and (ii) Statutory Reserves, plus (b) the Assessment Rate. For purposes hereof, the term "Fixed Certificate of Deposit Rate" shall mean the arithmetic average (rounded upwards, if necessary, to the next 1/100 of 1%) of the prevailing rates per annum bid on or about 10:00 a.m. (New York City time) to the Agent on the first Business Day of the Interest Period applicable to such Certificate of Deposit Borrowing by three New York City negotiable certificate of deposit dealers of recognized standing selected by the Agent for the purchase at face value of negotiable certificates of deposit of major United States money center banks in a principal amount approximately equal to the Agent's portion of such

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Certificate of Deposit Borrowing and with a maturity comparable to such Interest Period.

"Adjusted LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the product of (a) the LIBO Rate in effect for such Interest Period and (b) Statutory Reserves. For purposes hereof, the term "LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which dollar deposits approximately equal in principal amount to (i) in the case of a Standby Borrowing the Agent's portion of such Eurodollar Borrowing and (ii) in the case of a Competitive Borrowing, a principal amount that would have been the Agent's portion of such Competitive Borrowing had such Competitive Borrowing been a Standby Borrowing, and for a maturity comparable to such Interest Period are offered to the principal London office of the Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit C hereto.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Alternate Base Borrowing" shall mean a Borrowing comprised of Alternate Base Loans.

"Alternate Base Loan" shall mean any Standby Loan based on the Alternate Base Rate in accordance with the provisions of Article II.

"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

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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.

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"Applicable Facility Fee Percentage" shall mean on any date the applicable percentage set forth below based upon the Ratings:

<u>S&amp;P/Moody's Rating</u>	<u>Facility Fee</u>
<u>Category 1</u> A/A2 or higher	.125%
<u>Category 2</u> A-/A3	.1875%
<u>Category 3</u> BBB+, BBB or BBB-/ Baa1, Baa2 or Baa3	.25%
<u>Category 4</u> Below BBB-/Baa3 or unrated	.375%

For purposes of the foregoing, (i) if the Ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the rating in the numerically lower Category shall be disregarded, (ii) if Moody's or S&P shall not have in effect a Rating (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a Rating in Category 4; and (iii) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of Moody's or S&P) such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Facility Fee Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if any such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrowers and the Banks shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency.

"Applicable Margin" shall mean on any date, with respect to the Loans comprising any Eurodollar Standby

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Borrowing or Certificate of Deposit Borrowing, as the case may be, the applicable spread set forth below based on the Ratings:

<u>S&amp;P/Moody's Rating</u>	<u>Applicable Margin</u>	
	<u>Eurodollar Loan Spread</u>	<u>Certificate of Deposit Loan Spread</u>
<u>Category 1</u> A/A2 or higher	.30%	.425%
<u>Category 2</u> A-/A3	.425%	.55%
<u>Category 3</u> BBB+, BBB or BBB-/ Baa1, Baa2 or Baa3	.55%	.675%
<u>Category 4</u> Below BBB-/Baa3 or unrated	.675%	.80%

For purposes of the foregoing, (i) if the Ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the rating in the numerically lower Category shall be disregarded, (ii) if Moody's or S&P shall not have in effect a Rating (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a Rating in Category 4; and (iii) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of Moody's or S&P) such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if any such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrowers and the Banks shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency.

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"Assessment Rate" shall mean for any date the annual rate (rounded upwards, if necessary, to the next higher 1/100 of 1%) most recently estimated by the Agent as the then current net annual assessment rate that will be employed for determining amounts payable by the Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in dollars at the Agent's domestic offices.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Bank and an assignee, and accepted by the Agent and the Company, precisely in the form of Exhibit D hereto.

"Attributable Debt" shall mean, as to any lease, at any date as of which the amount thereof is to be determined, the total net amount of the rental payments (discounted from the respective due dates thereof at a rate per annum equal to 3% plus the prevailing market interest rate, at the time such lease was entered into, on United States Treasury obligations having a maturity substantially the same as the term of such lease) required to be made by the lessee thereunder during the remaining term thereof. The net amount of the rental payments required to be made under any such lease shall be the total amount of the rent payable by the lessee, but excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but not any rentals accruing after the first date upon which such lease may be so terminated. In the case of any lease under which the amount of the rental payments is indeterminate (e.g., where rent is based on sales or profits), the net amount of the rental payments required to be made during any fiscal year shall be the amount of the rental payments made (or which would have been required to be made had such lease been in effect) during the most recently elapsed fiscal year.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowers" shall mean the Company and the Borrowing Subsidiaries, collectively.

"Borrowing" shall mean a group of Loans of a single type made by the Banks (or, in the case of a Competitive Borrowing, by the Bank or Banks whose Competitive Bids

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have been accepted pursuant to Section 2.02) on a single date and as to which a single Interest Period is in effect.

"Borrowing Subsidiary" shall mean any Subsidiary which shall have executed and delivered to the Agent and each Bank a Borrowing Subsidiary Agreement and each Subsidiary which assumes the obligations of a Borrowing Subsidiary pursuant to Section 5.01.

"Borrowing Subsidiary Agreement" shall mean an agreement, in the form of Exhibit F hereto, duly executed by the Company and a Subsidiary.

"Business Day" shall mean any day, other than a Saturday, Sunday or legal holiday in the State of New York, on which banks are open for substantially all their banking business in New York City, except that, if any determination of a "Business Day" shall relate to a Eurodollar Loan, the term "Business Day" shall in addition exclude any day on which banks are not open for dealings in dollar deposits in the London Interbank Market.

"Certificate of Deposit Borrowing" shall mean a Borrowing comprised of Certificate of Deposit Loans.

"Certificate of Deposit Loan" shall mean any Standby Loan based on the Adjusted CD Rate in accordance with Article II hereof.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date hereof) other than Berkshire Hathaway Inc. shall own directly or indirectly, beneficially or of record, shares representing more than 20% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Company; (b) a majority of the seats (other than vacant seats) on the board of directors of the Company shall at any time have been occupied by persons who were neither (i) nominated by the management or board of directors of the Company nor (ii) appointed by directors so nominated or (c) any person or group shall otherwise directly or indirectly Control the Company.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commitment" shall mean, with respect to each Bank, the Commitment of such Bank hereunder as set forth in

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Section 2.01 as the same may be adjusted from time to time pursuant to Section 2.08. The Commitment of each Bank shall automatically and permanently terminate on the Maturity Date.

"Competitive Bid" shall mean an offer by a Bank to make a Competitive Loan pursuant to Section 2.02.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by the Borrowers pursuant to Section 2.02(d) in the form of Exhibit A-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Bank pursuant to Section 2.02(b), (i) in the case of a Eurodollar Competitive Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Bank making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.02 in the form of Exhibit A-1.

"Competitive Borrowing" shall mean a borrowing consisting of a Competitive Loan or concurrent Competitive Loans from each of the Banks whose Competitive Bids as a part of such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.02.

"Competitive Loan" shall mean any Loan offered by a Bank pursuant to Section 2.02. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Competitive Note" shall mean a promissory note of a Borrower in the form of Exhibit B-1 hereto, executed and delivered as provided in Section 2.05 hereof.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Consolidated Net Income" shall mean the net income of the Company and the Subsidiaries, computed and consolidated in accordance with generally accepted accounting principles consistently applied, but excluding net gains or net losses on sales of properties and assets other than in the ordinary course of business.

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"Consolidated Net Worth" shall mean, at any date, the excess of (i) the net value of the assets of the Company and Subsidiaries after all appropriate deductions in accordance with generally accepted accounting principles (including, without limitation, reserves for doubtful receivables, obsolescence, depreciation and amortization), but excluding from the net value of such assets the amount of any write-up subsequent to September 30, 1985, in the book value of any asset owned on such date resulting from the revaluation thereof subsequent to such date and any write-up of any asset acquired subsequent to such date to a value in excess of the purchase price of such asset, over (ii) the consolidated liabilities (including tax and other proper accruals and including mandatorily redeemable preferred stock) of the Company and its Subsidiaries, in each case computed and consolidated in accordance with generally accepted accounting principles consistently applied.

"Eligible Assignee" shall mean (i) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$1,000,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the OECD, or a political subdivision of any such country, and having total assets in excess of \$1,000,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD; and (iii) the central bank of any country which is a member of the OECD.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Competitive Borrowing" shall mean a Borrowing comprised of Eurodollar Competitive Loans.

"Eurodollar Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate in accordance with the provisions of Article II.

"Eurodollar Loan" shall mean any Eurodollar Competitive Loan or Eurodollar Standby Loan.

"Eurodollar Standby Borrowing" shall mean a Borrowing comprised of Eurodollar Standby Loans.

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"Eurodollar Standby Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned such term in Article VII hereof.

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

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Bank making such Loan in its Competitive Bid.

"Guarantee" shall mean any obligation, contingent or otherwise, of any person guaranteeing or having the economic effect of guaranteeing any Indebtedness or obligation of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided, however, that the term Guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

"HLT" shall mean a transaction which the Agent, on the basis of any of (i) applicable Federal statutes or (ii) the rules, regulations, interpretations, guidelines, statements of policy, published or unpublished, directives or formal or informal notices or other communications of Federal bank regulatory authorities, classifies as a "highly leveraged transaction" or assigns a similar or successor classification (such classification by the Agent to be conclusive for all purposes).

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"Indebtedness" shall mean, with respect to any person, (a) all obligations of such person for borrowed money, or with respect to deposits or advances of any kind, (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such person upon which interest charges are customarily paid, (d) all obligations of such person under conditional sale or other title retention agreements relating to property purchased by such person, (e) all obligations of such person issued or assumed as the deferred purchase price of property or services, (f) all obligations of such person under leases required to be accounted for as capital leases under generally accepted accounting principles, (g) all Guarantees by such person of Indebtedness of others, (h) all obligations of such person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the amount that would be payable upon the acceleration, termination or liquidation thereof) and (i) all obligations of such person as an account party in respect of letters of credit and bankers' acceptances.

"Interest Payment Date" shall mean, as to any Loan, the last day of the Interest Period applicable to such Loan (and, in the case of any Interest Period having a duration equal to or greater than six months or 180 days, the dates that would be the last days of successive Interest Periods (the first of which commences on the first day of such Interest Period) of three months' (in the case of Eurodollar Loans) or 90 days' (in all other cases) duration) and the date of any refinancing or conversion of such Loan with or to a Loan of a different type.

"Interest Period" shall mean: (i) as to any Euro-dollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect, (ii) as to any Certificate of Deposit Borrowing, a period of 30, 60, 90 or 180 days' duration, as the Borrower may elect, commencing on the date of such Borrowing, (iii) as to any Alternate Base Borrowing, the period commencing on the date of such Alternate Base Borrowing and ending on the next March 31, June 30, September 30 or December 31 or, if earlier, on the Maturity Date or the date of prepayment of such Borrowing and (iv) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offers to

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make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that (x) if any Interest Period would end on a day that shall not be a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, with respect to Euro-dollar Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (y) no Interest Period may be selected which ends later than the Maturity Date and (z) interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Loan" shall mean a Standby Loan or a Competitive Loan, whether made as a Certificate of Deposit Loan, a Euro-dollar Loan, an Alternate Base Loan or a Fixed Rate Loan, as permitted hereby.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the Adjusted LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning assigned such term in Regulation U.

"Maturity Date" shall mean, as to any Bank, June 30, 1995.

"Moody's" shall mean Moody's Investors Service, Inc.

"Note" shall mean a Competitive Note or a Standby Note of a Borrower, executed and delivered as provided in Section 2.05 hereof.

"OECD" shall mean the Organization for Economic Cooperation and Development.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"person" shall mean any natural person, corporation, business trust, association, company, joint venture,

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partnership or government or any agency or political subdivision thereof.

"Plan" shall mean any employee plan which is subject to the provisions of Title IV of ERISA or Section 412 of the Code and which is maintained (in whole or in part) for employees of the Company or any Subsidiary.

"Ratings" shall refer to the ratings of Moody's and S&P applicable to the Company's senior unsecured non-credit enhanced long-term debt obligations.

"Register" shall have the meaning assigned such term in Section 10.04(c).

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation G" shall mean Regulation G of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Reportable Event" shall mean a Reportable Event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan.

"Responsible Officer" shall mean any executive officer, or the chief financial officer or controller, of the Company.

"Required Banks" shall mean at any time Banks having Commitments representing at least 66-2/3% of the Total Commitment, except that for purposes of determining the Banks entitled to declare the Notes to be forthwith due and payable pursuant to Article VII, "Required Banks" shall mean Banks holding at least 66-2/3% of the aggregate principal amount of the Loans at the time outstanding.

"S&P" shall mean Standard & Poor's Corporation.

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"Sale and Leaseback Transaction" shall have the meaning assigned such term in Section 6.02.

"Standby Borrowing" shall mean a borrowing consisting of simultaneous Standby Loans from each of the Banks.

"Standby Borrowing Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit A-5.

"Standby Loan" shall have the meaning given such term in Section 2.01. Each Standby Loan shall be a Eurodollar Standby Loan, a Certificate of Deposit Loan or an Alternate Base Loan.

"Standby Note" shall mean a promissory note of a Borrower in the form of Exhibit B-2 hereto, executed and delivered as provided in Section 2.05 hereof.

"Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including, without limitation, any marginal, special, emergency, or supplemental reserves) expressed as a decimal established by the Board and any other banking authority to which the Agent is subject (a) with respect to the Adjusted CD Rate or the Base CD Rate, for new negotiable time deposits in dollars of over \$100,000 with maturities approximately equal to the applicable Interest Period, and (b) with respect to the Adjusted LIBO Rate, for Eurocurrency Liabilities (as defined in Regulation D of the Board). Such reserve percentages shall include, without limitation, those imposed under such Regulation D. Eurodollar Loans shall be deemed to constitute Eurocurrency Liabilities and as such shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exceptions or offsets which may be available from time to time to any Bank under such Regulation D. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" shall mean, with respect to any person (the "parent"), any corporation, association or other business entity of which securities or other ownership interests representing more than 50% of the ordinary voting power are, at the time as of which any determination is being made, owned or controlled by the parent or one or more

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subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean a subsidiary of the Company.

"Total Commitment" shall mean at any time the aggregate amount of the Banks' Commitments, as in effect at such time.

"Transferee" shall have the meaning assigned to such term in Section 2.18.

Except as otherwise herein specifically provided, each accounting term used herein shall have the meaning given it under generally accepted accounting principles in effect from time to time applied on a basis consistent with those used in preparing the financial statements referred to in Section 3.05; provided, however, that each reference in Article VI hereof, or in the definition of any term used in Article VI hereof, to generally accepted accounting principles shall mean generally accepted accounting principles as in effect on the date hereof and as applied by the Company in preparing the financial statements referred to in Section 3.05.

## II. THE LOANS

SECTION 2.01. Commitments. (a) Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Bank, severally and not jointly, agrees to make standby revolving credit loans ("Standby Loans") to the Borrowers, at any time and from time to time from the date hereof to the Maturity Date, or until the earlier termination of the Commitment of such Bank in accordance with the terms hereof, in an aggregate principal amount at any time outstanding not to exceed such Bank's Commitment minus the amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Commitment pursuant to Section 2.15, subject, however, to the conditions that (I) at no time shall (x) the sum of (i) the outstanding aggregate principal amount of all Standby Loans made by all Banks plus (ii) the outstanding aggregate principal amount of all Competitive Loans made by all Banks exceed (y) the Total Commitment and (II) at all times the outstanding aggregate principal amount of all Standby Loans made by each Bank shall equal the product of (x) the percentage which its Commitment represents of the

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Total Commitment times (y) the aggregate principal amount of all Standby Loans made pursuant to Section 2.03. Each Bank's Commitment is set forth opposite its name below, subject to adjustment from time to time pursuant to Section 2.08:

	<u>Commitment</u>	<u>Percent of Commitments</u>
Chemical Bank 270 Park Avenue New York, N.Y. 10017	\$ 83,750,000	8.375%
Attention: Judith Arnstein Vice President Stephen B. Paras Vice President		
Bank of America NT & SA 1850 Gateway Boulevard Concord, CA 94520	\$ 83,750,000	8.375%
With a copy to:		
Steven W. Hoagland Vice President Entertainment/Media Division Bank of America NT & SA 335 Madison Avenue New York, N.Y. 10017		
The Bank of New York One Wall Street - 16th Floor New York, N.Y. 10286	\$ 83,750,000	8.375%
Attention: Kalpana Raina Assistant Vice President		
The Chase Manhattan Bank, N.A. One Chase Manhattan Plaza New York, N.Y. 10081	\$ 83,750,000	8.375%
Attention: Robert T. Smith Vice President Media & Communications Component		

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The First National Bank of Boston \$ 65,000,000 6.500%  
 100 Federal Street - Mail Stop 01-21-05  
 Boston, MA 02110

Attention: Lisa C. Gallagher  
 Vice President  
 Media & Communications  
 Department

Morgan Guaranty Trust Company of \$ 65,000,000 6.500%  
 New York  
 60 Wall Street  
 New York, N.Y. 10260

Attention: David L. Greenwood  
 Vice President

NBD Bank, N.A. \$ 65,000,000 6.500%  
 611 Woodward Avenue  
 Detroit, MI 48226

Attention: Carolyn J. Parks  
 Vice President

Canadian Imperial Bank of Commerce \$ 50,000,000 5.000%  
 425 Lexington Avenue  
 New York, N.Y. 10017

Attention: John P. White  
 Vice President

Citibank, N.A. \$ 50,000,000 5.000%  
 399 Park Avenue  
 New York, N.Y. 10043

Attention: Peter E. Dillon  
 Vice President

Continental Bank N.A. \$ 50,000,000 5.000%  
 520 Madison Avenue  
 New York, N.Y. 10022

Attention: Robert P. McKillip  
 Vice President

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The First National Bank of Chicago      \$    50,000,000      5.000%

153 West 51st Street  
New York, N.Y. 10019

Attention: Norah W. McCloy  
Vice President  
Eastern Communications  
Division

Royal Bank of Canada      \$    50,000,000      5.000%

1 Financial Square  
New York, N.Y. 10005

Attention: Alexander Birr  
Senior Manager

Societe Generale      \$    50,000,000      5.000%

50 Rockefeller Plaza  
New York, N.Y. 10020

Attention: Pascale M. Hainline  
Vice President

The Toronto-Dominion Bank      \$    50,000,000      5.000%

42 Wall Street  
New York, N.Y. 10005

Attention: Credit Administration

With a copy to:

Emil D. Y. Fung  
Managing Director  
The Toronto-Dominion Bank  
USA Division  
31 West 52nd Street  
New York, N.Y. 10019-6101

Bankers Trust Company      \$    25,000,000      2.500%

280 Park Avenue - 15 East  
New York, N.Y. 10017

Attention: Mark McFadden  
Vice President  
Media Division

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The Bank of Nova Scotia One Liberty Plaza - 26th Floor New York, N.Y. 10006	\$ 25,000,000	2.500%
Attention: Mark E. Vigil Representative		
Swiss Bank Corporation 10 East 50th Street New York, N.Y. 10022	\$ 25,000,000	2.500%
Attention: Martin J. Schmidt Assistant Vice President		
Commerce Bank of Kansas City 1000 Walnut Street P.O. Box 419248 Kansas City, MO 64141-6248	\$ 15,000,000	1.500%
Attention: Dama F. Stephenson Vice President		
Marine Midland Bank, N.A. 140 Broadway - 6th Floor New York, N.Y. 10015	\$ 15,000,000	1.500%
Attention: Frank Kenny Administrative Vice President		
United Missouri Bank, n.a. 1010 Grand Avenue Kansas City, MO 64105	\$ 15,000,000	1.500%
Attention: Walter Beck Executive Vice President		
Total Commitment:	<u>\$1,000,000,000</u>	<u>100.0%</u>

Within the foregoing limits, the Borrowers may borrow, pay or prepay and reborrow hereunder, on or after the date hereof and prior to the Maturity Date, all or any portion of the Commitments hereunder, subject to the terms, provisions and limitations set forth herein.

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SECTION 2.02. Competitive Bid Procedure. (a) In order to request Competitive Bids, the appropriate Borrower shall hand deliver, telex or telecopy to the Agent a duly completed Competitive Bid Request in the form of Exhibit A-1 hereto, to be received by the Agent (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m. New York time, four Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m. New York time, one Business Day before a proposed Competitive Borrowing. No Certificate of Deposit Loan or Alternate Base Loan shall be requested in, or made pursuant to, a Competitive Bid Request. Competitive Bid Requests that do not conform substantially to the format of Exhibit A-1 may be rejected in the Agent's sole discretion, and the Agent shall promptly notify the appropriate Borrower of such rejection by telex or telecopier. Such request shall in each case refer to this Agreement and specify (x) whether the Borrowing then being requested is to be a Eurodollar Borrowing or a Fixed Rate Borrowing, (y) the date of such Borrowing (which shall be a Business Day) and the aggregate principal amount thereof (which shall be an integral multiple of \$50,000,000), and (z) the Interest Period with respect thereto (which may not end after the Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Agent shall invite by telex or telecopier (in the form set forth in Exhibit A-2 hereto) the Banks to bid, on the terms and conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Bank may, in its sole discretion, make one or more Competitive Bids to the appropriate Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Bank must be received by the Agent via telex or telecopier, in the form of Exhibit A-3 hereto, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m. New York time, three Business Days before a proposed Eurodollar Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m. New York time, on the day of a proposed Fixed Rate Borrowing. Multiple bids will be accepted by the Agent. Competitive Bids that do not conform substantially to the format of Exhibit A-3 may be rejected by the Agent after conferring with, and upon the instruction of, the appropriate Borrower, and the Agent shall notify the Bank making such nonconforming bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount of the

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Competitive Loan or Loans that the Bank is willing to make to such Borrower with respect to each of such Bank's Competitive Bids (each such Competitive Bid to be in a minimum principal amount of \$5,000,000 and in integral multiples of \$1,000,000, and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower, (y) the Competitive Bid Rate or Rates at which the Bank is prepared to make the Competitive Loan or Loans and (z) the Interest Period and the last day thereof. If any Bank shall elect not to make a Competitive Bid, such Bank shall so notify the Agent via telex or telecopier (I) in the case of Eurodollar Competitive Loans, not later than 9:30 a.m. New York time, three Business Days before a proposed Competitive Borrowing, and (II) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York time, on the day of a proposed Competitive Borrowing; provided, however, that failure by any Bank to give such notice shall not cause such Bank to be obligated to make any Competitive Loan as part of such Competitive Borrowing. A Competitive Bid submitted by a Bank pursuant to this paragraph (b) shall be irrevocable.

(c) The Agent shall promptly notify the appropriate Borrower by telex or telecopier of all the Competitive Bids made, the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Bank making each bid. The Agent shall send a copy of all Competitive Bids to such Borrower and, if such Borrower is not the Company, to the Company on behalf of such Borrower, as soon as practicable after completion of the bidding process set forth in this Section 2.02.

(d) The appropriate Borrower may in its sole and absolute discretion, subject only to the provisions of this paragraph, accept or reject any Competitive Bid referred to in paragraph (c) above. Such Borrower shall notify the Agent by telephone, confirmed by telex or telecopier in the form of a Competitive Bid Accept/Reject Letter, (i) whether and to what extent it has decided to accept or reject any of or all the bids referred to in paragraph (c) above, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York time, three Business Days before a proposed Eurodollar Competitive Borrowing, (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York time, on the day of a proposed Fixed Rate Competitive Borrowing; and (ii) whether and to what extent it has decided to make an Alternate Base Borrowing in place of all or a part of the Competitive Borrowing it shall have proposed (for which Alternate Base Borrowing it shall

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provide the Agent with written or telex notice of its request in the form of Exhibit A-5 hereto) not later than 10:30 a.m. New York time, the day of a proposed Competitive Borrowing; provided, however, that (i) such Borrower shall not accept a bid made at any Competitive Bid Rate if such Borrower has decided to reject a bid made at a lower Competitive Bid Rate, (ii) the failure by the Borrower to give such notice shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if the Borrower shall accept a bid or bids made at a particular Competitive Bid Rate but the amount of such bid or bids shall cause the total amount of bids to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such bid or bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such bid at such Competitive Bid Rate, (v) except pursuant to clause (iv) above, no bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner which shall be in the discretion of the Borrower, and (vi) no bid shall be accepted for a Competitive Loan unless such Competitive Loan is part of a Competitive Borrowing in a minimum principal amount of \$50,000,000, unless such Borrower shall have requested an Alternate Base Loan to replace a portion (but not all) of the proposed Competitive Borrowing, in which case such Competitive Borrowing together with any such requested Alternate Base Loan shall be in a minimum aggregate principal amount of \$50,000,000. A notice given by the appropriate Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Agent shall promptly notify the Banks whether or not any of their Competitive Bids have been

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accepted (and if so, in what amount or amounts and at what Competitive Bid Rate or Rates) and whether any Alternate Base Loan shall have been requested (and each Bank's portion of any such requested Alternate Base Loan) by telex or telecopier sent by the Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Loan or Competitive Loans in respect of which its offer has been accepted (and if an Alternate Base Loan shall have been requested, then each Bank shall thereupon become bound to make a portion of such Alternate Base Loan in proportion to its respective unutilized Commitment).

(f) A Competitive Bid Request shall not be made within five Business Days of the date of any other Competitive Bid Request.

(g) If the Agent shall elect to submit a Competitive Bid or Competitive Bids in its capacity as a Bank, it shall submit such bid or bids directly to the appropriate Borrower one quarter of an hour earlier than the latest time at which the other Banks are required to submit their bids to the Agent pursuant to Section 2.02(b).

(h) All notices required by this Section 2.02 shall be made in accordance with Section 10.01.

**SECTION 2.03. Standby Borrowing Procedure.** In order to request a Standby Borrowing, the appropriate Borrower shall give the Agent written, telex or telecopy notice, in the form of Exhibit A-5 hereto, (i) in the case of Eurodollar Standby Loans, not later than 10:30 a.m. New York time, three Business Days before a proposed Standby Borrowing, (ii) in the case of Certificate of Deposit Loans, not later than 10:30 a.m. New York time, two Business Days before a proposed Standby Borrowing and (iii) in the case of Alternate Base Loans, not later than 10:30 a.m. New York time, on the day of a proposed Standby Borrowing. No Fixed Rate Loan shall be requested or made pursuant to a Standby Borrowing Request. Such notice shall be irrevocable and shall in each case refer to this Agreement and specify (v) whether the Borrowing then being requested is to be a Certificate of Deposit Borrowing, a Eurodollar Standby Borrowing or an Alternate Base Borrowing, (w) the date of such Standby Borrowing (which shall be a Business Day) and the aggregate amount thereof (which shall be an integral multiple of \$50,000,000 (except in the case of Alternate Base Loans replacing a portion of a proposed Competitive Borrowing, as provided in paragraph (d) of Section 2.02))

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and (x) the Interest Period with respect thereto (which shall not end later than the Maturity Date). If no election as to the type of Standby Borrowing is specified in any such notice, then the requested Standby Borrowing shall be an Alternate Base Borrowing. If no Interest Period with respect to any Certificate of Deposit Borrowing or Euro-dollar Standby Borrowing is specified in any such notice, then (y) in the case of a Certificate of Deposit Borrowing, such Borrower shall be deemed to have selected an Interest Period of 30 days' duration and (z) in the case of a Euro-dollar Standby Loan, such Borrower shall be deemed to have selected an Interest Period of one month's duration. If the appropriate Borrower shall not have given notice in accordance with this Section 2.03 of its election to refinance a Standby Borrowing prior to the end of the Interest Period in effect for such Borrowing, then such Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an Alternate Base Borrowing. The Agent shall promptly advise the other Banks of any notice given pursuant to this Section 2.03 and of each Bank's portion of the requested Standby Borrowing by telex or telecopier.

SECTION 2.04. Loans. (a) Competitive Loans shall be made to the extent accepted by the appropriate Borrower in accordance with Section 2.02(d) and Standby Loans shall be made ratably by the Banks in accordance with their respective unutilized Commitments on the date of the Standby Borrowing; provided, however, that the failure of any Bank to make any Standby Loan shall not in itself relieve any other Bank of its obligation to lend hereunder (it being understood, however, that no Bank shall be responsible for the failure of any other Bank to make any Loan required to be made by such other Bank). The initial Competitive Loan and the initial Standby Loan by each Bank to each Borrower shall be made against delivery to such Bank of an appropriate Competitive Note or Standby Note, payable to the order of such Bank, as referred to in Section 2.05.

(b) Each Borrowing shall be either a Standby Borrowing, which shall be comprised entirely of Certificate of Deposit Loans, Eurodollar Standby Loans or Alternate Base Loans, or shall be a Competitive Borrowing, which shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, as the applicable Borrower may request subject to and in accordance with Section 2.02 or Section 2.03, as applicable. Each Bank may at its option make any Eurodollar Loan by causing a domestic or foreign branch or affiliate of such Bank to make such Loan; provided, however, that any

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exercise of such option shall not affect the obligation of the appropriate Borrower to repay such Loan in accordance with the terms of this Agreement and the applicable Note. Borrowings of more than one interest rate option may be outstanding at the same time; provided further, however, that no Borrower shall be entitled to request any Borrowing which, if made, would result in an aggregate of more than ten separate Standby Loans of any Bank being outstanding hereunder at any one time. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Loans.

(c) Subject to Section 2.11, each Bank shall make its portion of each Competitive Borrowing and each Standby Borrowing on the proposed date thereof by paying the amount required to the Agent in New York, New York in immediately available funds not later than 12:00 noon New York time, and the Agent shall by 3:00 p.m. New York time credit the amounts so received to the general deposit account of the appropriate Borrower with the Agent or, if Loans are not made on such date because any condition precedent to a borrowing herein specified shall not have been met, return the amounts so received to the respective Banks. Competitive Loans shall be made by the Bank or Banks whose Competitive Bids therefor are accepted pursuant to Section 2.02 in the amounts so accepted and Standby Loans shall be made by the Banks pro rata in accordance with Section 2.15. Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's portion of such Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Borrowing in accordance with this paragraph (c) and the Agent may, in reliance upon such assumption, make available to the appropriate Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have made such portion available to the Agent, such Bank and the appropriate Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the appropriate Borrower until the date such amount is repaid to the Agent at (i) in the case of such Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Bank, the Federal Funds Effective Rate. If such Bank shall repay to the Agent such corresponding amount, such amount shall constitute such Bank's Loan as part of such Borrowing for purposes of this Agreement.

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(d) Notwithstanding any other provision of this Agreement, the Borrowers shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

**SECTION 2.05. Notes.** The Competitive Loans and Standby Loans made by each Bank to each Borrower shall be evidenced by a Competitive Note or Standby Note, as the case may be, duly executed on behalf of such Borrower, dated April 30, 1992, in substantially the forms attached hereto as Exhibits B-1 and B-2, respectively, with the blanks appropriately filled, payable to the order of such Bank in a principal amount equal to the Commitment of such Bank in the case of Standby Notes, or the Total Commitment in the case of Competitive Notes. The outstanding principal balance of each Competitive Loan and Standby Loan, as evidenced by a Note, shall be payable on the last day of the Interest Period applicable to such Loan and on the Maturity Date. Each Note shall bear interest from the date of the first borrowing evidenced by such Note on the outstanding principal balance thereof as set forth in Section 2.06. Each Bank shall, and is hereby authorized by each Borrower to, endorse on the schedule attached to each Note of such Bank (or on a continuation of such schedule attached to each such Note and made a part thereof), or otherwise to record in such Bank's internal records, an appropriate notation evidencing the date and amount of each Loan of such Bank, each payment or prepayment of principal of any Loan and the other information provided for on such schedule; provided, however, that such notation shall be conclusive absent manifest error and the failure of any Bank to make such a notation or any error therein shall not in any manner affect the obligation of the appropriate Borrower to repay the Loans made by such Bank in accordance with the terms of such Note. As soon as practicable after the Maturity Date or the earlier termination of Loans or Commitments under this Agreement, as applicable, and upon payment by the Borrower in full of all amounts due and owing on any Note, the Banks shall return the canceled Competitive Note and Standby Note to the appropriate Borrower.

**SECTION 2.06. Interest on Loans.** (a) Subject to the provisions of Section 2.09, the Loans comprising each Certificate of Deposit Borrowing shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Adjusted CD Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin. Interest on each Certificate of Deposit Loan shall be payable on each

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applicable Interest Payment Date. The applicable Adjusted CD Rate shall be determined by the Agent, and such determination shall be conclusive absent manifest error. The Agent shall promptly advise the Company and each Bank of such determination.

(b) Subject to the provisions of Section 2.09, the Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to (i) in the case of each Eurodollar Standby Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Loan plus the Applicable Margin and (ii) in the case of each Eurodollar Competitive Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Bank making such Loan and accepted by the Borrower pursuant to Section 2.02. Interest on each Eurodollar Borrowing shall be payable on each applicable Interest Payment Date. The Adjusted LIBO Rate shall be determined by the Agent, and such determination shall be conclusive absent manifest error. The Agent shall promptly advise the Company and each Bank of such determination.

(c) Subject to the provisions of Section 2.09, the Loans comprising each Alternate Base Borrowing shall bear interest on each day at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days, except where the applicable interest rate for such Loan is the Prime Rate, in which case the rate per annum shall be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be) equal to the Alternate Base Rate in effect for such day. Interest on each Alternate Base Loan shall be payable on each applicable Interest Payment Date. The applicable Alternate Base Rate for each day shall be determined by the Agent, and such determination shall be conclusive absent manifest error. The Agent shall promptly advise the Company and each Bank of such determination.

(d) Subject to the provisions of Section 2.09, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Bank making such Loan and accepted by the Borrower pursuant to Section 2.03. Interest on each Fixed Rate Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement.

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**SECTION 2.07. Fees.** (a) The Company agrees to 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") at a rate per annum equal to the Applicable Facility Fee Percentage from time to time in effect on the amount of the Commitment of such Bank, whether used or unused, 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 commence to accrue on the date hereof, and shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Bank as provided herein.

(b) All fees shall be paid on the dates due, in immediately available funds, to the Agent for distribution, if and as appropriate, among the Banks. Once paid, none of the fees shall be refundable under any circumstances.

**SECTION 2.08. Termination and Reduction of Commitments.** (a) Upon at least three Business Days' prior written, telex or telecopy notice to the Agent, the Company may at any time in whole permanently terminate, or from time to time permanently reduce, the Total Commitment, ratably among the Banks in accordance with their respective Commitments; provided, however, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of \$50,000,000 and (ii) no such termination or reduction shall be made which would reduce the Total Commitment to an amount less than the aggregate outstanding principal amount of the Competitive Loans.

(b) In the event the Company and the Subsidiaries shall incur any Indebtedness for borrowed money (other than Indebtedness existing on the date hereof, Indebtedness incurred pursuant to short-term borrowing arrangements with banks and commercial paper maturing not more than 270 days after the date of its issuance) maturing prior to the Maturity Date, then the Required Banks may, on one or more occasions, upon at least 30 days' prior written, telex or telecopy notice to the Company and the other Banks, permanently reduce the Total Commitment, ratably among the Banks in accordance with their respective Commitments, by an aggregate amount not greater than the maximum amount of such Indebtedness at any time outstanding.

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(c) Simultaneously with any termination or reduction of Commitments pursuant to paragraph (a) or (b) of this Section 2.08, the Company shall pay to the Agent for the account of the Banks whose Commitments are being terminated or reduced the Facility Fees on the amount of the Commitments so terminated or reduced owed through the date of such termination or reduction.

**SECTION 2.09. Default Interest; Alternative Rate of Interest.** (a) If any Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether by scheduled maturity, notice of prepayment, acceleration or otherwise, such Borrower shall on demand from time to time from the Agent pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Alternate Base Rate plus 2%.

(b) In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing, the Agent or the Required Banks shall have determined (which determination shall be conclusive and binding upon the Borrowers) that dollar deposits in the principal amounts of the Eurodollar Loan comprising such Borrowing are not generally available in the London interbank market, or that the rates at which dollar deposits are being offered will not adequately and fairly reflect the cost to any Bank of making or maintaining the principal amount of such Eurodollar Loan during such Interest Period, or reasonable means do not exist for ascertaining the Adjusted LIBO Rate, the Agent shall as soon as practicable thereafter, give written, telex or telecopy notice of such determination to the Company and the other Banks. In the event of any such determination, until the Agent shall have advised the Borrowers and the Banks that the circumstances giving rise to such notice no longer exist, (i) any request by a Borrower for a Eurodollar Standby Borrowing pursuant to Section 2.03 shall be deemed to be a request for an Alternate Base Borrowing and (ii) any request by a Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.02 shall be of no force and effect and shall be denied by the Agent. Each determination of the Agent hereunder shall be conclusive absent manifest error.

(c) In the event, and on each occasion, that on or before the day on which the Adjusted CD Rate for a

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Certificate of Deposit Borrowing is to be determined, the Agent or the Required Banks shall have determined (which determination shall be conclusive and binding upon the Borrowers) that the Adjusted CD Rate for such Certificate of Deposit Borrowing cannot be ascertained for any reason, including, without limitation, the inability or failure of the Agent to obtain sufficient bids in accordance with the terms of the definition of Fixed Certificate of Deposit Rate, or the Agent shall determine that the Adjusted CD Rate for such Certificate of Deposit Loan will not adequately and fairly reflect the cost to any Bank of making or maintaining the principal amount of such Certificate of Deposit Loan during such Interest Period, the Agent shall, as soon as practicable thereafter, give written, telex or telecopy notice of such determination to the Company and the other Banks in the event of any such determination, any request by a Borrower for a Certificate of Deposit Borrowing pursuant to Section 2.03 shall, until the Agent shall have advised the Company and the Banks that the circumstances giving rise to such notice no longer exist, be deemed to be a request for an Alternate Base Borrowing. Each determination by the Agent hereunder shall be conclusive absent manifest error.

SECTION 2.10. Prepayment of Loans. (a) Each Borrower shall have the right at any time and from time to time to prepay any Standby Borrowing, in whole or in part, subject to the requirements of Section 2.14 but otherwise without premium or penalty, upon giving written, telex or telecopy notice (or telephone notice promptly confirmed by written, telex or telecopy notice) to the Agent: (i) before 10:00 a.m., New York time, three Business Days prior to prepayment, in the case of Eurodollar Standby Loans, (ii) before 10:00 a.m., New York time, two Business Days prior to prepayment, in the case of Certificate of Deposit Loans, and (iii) before 10:00 a.m., New York time, one Business Day prior to prepayment, in case of Alternate Base Loans; provided, however, that each such partial prepayment shall be in an integral multiple of \$50,000,000. The Borrowers shall not have the right to prepay any Competitive Borrowing.

(b) On the date of any termination or reduction of the Commitment of any Bank pursuant to Section 2.08, the Company shall pay or prepay so much of the Standby Borrowings as shall be necessary in order that the aggregate principal amount of the Competitive Loans and Standby Loans outstanding will not exceed the Total Commitment after giving effect to such termination or reduction. All prepayments under this paragraph shall be subject to Section 2.14.

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(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment.

**SECTION 2.11. Refinancing of Loans.** Any Borrower may refinance all or any part of any Borrowing with a Borrowing of the same or a different type made pursuant to Section 2.02 or Section 2.03, subject to the conditions and limitations set forth herein and elsewhere in this Agreement, including, without limitation, refinancings of Competitive Borrowings with Standby Borrowings and Standby Borrowings with Competitive Borrowings. Any Borrowing or part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.05 with the proceeds of a new Borrowing hereunder and the proceeds of the new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the Banks to the Agent or by the Agent to the Borrower pursuant to Section 2.04(c); provided, however, that (i) if the principal amount extended by a Bank in a refinancing is greater than the principal amount extended by such Bank in the Borrowing being refinanced, then the Bank shall pay such difference to the Agent for distribution to the Banks described in (ii) below, (ii) if the principal amount extended by a Bank in the Borrowing being refinanced is greater than the principal amount being extended by such Bank in the refinancing, the Agent shall return the difference to such Bank out of amounts received pursuant to (i) above, (iii) to the extent any Bank fails to pay the Agent amounts due from it pursuant to (i) above, any Loan or portion thereof being refinanced with such amounts shall not be deemed repaid in accordance with Section 2.05 and shall be payable by the appropriate Borrower, (iv) in the case of a refinancing of less than all Borrowings of any Borrower, the Borrowing refinanced shall be in an integral multiple of \$50,000,000, (v) the Interest Period with respect to any new Loan made in respect of a refinancing shall commence on the date of refinancing, (vi) any portion of a Borrowing maturing or required to be prepaid in less than 30 days may not be refinanced with a Certificate of Deposit Borrowing and any portion of a Borrowing maturing or required to be prepaid in less than one month may not be refinanced with a Eurodollar Loan, (vii) a Borrowing may be refinanced only on the last day of the applicable Interest Period and (viii) no

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Borrowing (or portion thereof) may be refinanced with a Certificate of Deposit Borrowing or Eurodollar Borrowing if, after such refinancing, an aggregate of more than ten separate Certificate of Deposit Borrowings and Eurodollar Borrowings of any Bank would be outstanding hereunder (determined as set forth in Section 2.04(b)). The Agent shall communicate the information contained in each irrevocable notice delivered by a Borrower pursuant to this Section 2.11 to the appropriate Banks promptly after its receipt of the same.

The Interest Period applicable to any Certificate of Deposit Borrowing or Eurodollar Borrowing resulting from a refinancing shall be specified by the applicable Borrower in the irrevocable notice of refinancing delivered pursuant to this Section; provided, however, that if no such Interest Period shall be specified, such Borrower shall be deemed to have selected an Interest Period in the case of a Certificate of Deposit Borrowing of 30 days' duration, and in the case of a Eurodollar Borrowing of one month's duration.

For purposes of this Section 2.11, notice received by the Agent from the applicable Borrower after 10:00 a.m. New York time, in the case of a request for a Eurodollar Borrowing or a Certificate of Deposit Borrowing, or 2:00 p.m. New York time, in the case of a request for an Alternate Base Borrowing, on a Business Day shall be deemed to be received on the immediately succeeding Business Day.

SECTION 2.12. Change in Circumstances. (a) Notwithstanding any other provision herein, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Bank of the principal of or interest on any Certificate of Deposit Loan, Fixed Rate Loan or Eurodollar Loan made by such Bank or any other fees or amounts payable hereunder (other than taxes imposed on the overall net income of such Bank by the jurisdiction in which such Bank has its principal office or by any political subdivision or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, such Bank (except any such reserve requirement which is reflected in the Adjusted LIBO Rate or the Adjusted CD Rate) or shall impose on such Bank or the London

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Interbank Market any other condition affecting this Agreement or the Certificate of Deposit Loans, Fixed Rate Loans or Eurodollar Loans made by such Bank and the result of any of the foregoing shall be to increase the cost to such Bank of making or maintaining any Certificate of Deposit Loan, Fixed Rate Loan or Eurodollar Loan or to reduce the amount of any sum received or receivable by such Bank hereunder or under the Notes (whether of principal, interest or otherwise) in respect thereof, by an amount deemed by such Bank to be material, then such additional amount or amounts as will compensate such Bank for such additional costs or reduction will be paid to such Bank upon demand (i) if such additional costs or reduction shall relate to a particular Loan, by the Borrower to which such Loan was made and (ii) otherwise, by the Company.

(b) If any Bank shall have determined that the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date of this Agreement of any other law, rule, regulation or guideline regarding capital adequacy or capital maintenance, or any change of the foregoing, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or any lending office of such Bank) or any Bank's holding company with any request or directive regarding capital adequacy or capital maintenance (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital or on the capital of such Bank's holding company, if any, as a consequence of its obligations hereunder to a level below that which such Bank or such Bank's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Bank's policies and the policies of such Bank's holding company with respect to capital adequacy or capital maintenance, as the case may be) by an amount deemed by such Bank to be material, then from time to time such additional amount or amounts as will compensate such Bank for such reduction will be paid to such Bank (i) if such additional costs or reduction shall relate to a particular Loan, by the Borrower to which such Loan was made and (ii) otherwise, by the Company.

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(c) A certificate of each Bank setting forth such amount or amounts as shall be necessary to compensate such Bank as specified in paragraph (a) or (b) above, as the case may be, shall be delivered to the applicable Borrower or to the Company and shall be conclusive absent manifest error. The applicable Borrower or the Company, as the case may be, shall pay each Bank the amount shown as due on any such certificate within 10 days after its receipt of the same.

(d) Except as provided in this paragraph, failure on the part of any Bank to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Bank's right to demand compensation with respect to any other period. The protection of this Section shall be available to each Bank regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed so long as it shall be customary for Banks affected thereby to comply therewith. No Bank shall be entitled to compensation under this Section 2.12 for any costs incurred or reductions suffered with respect to any date unless it shall have notified the Borrowers that it will demand compensation for such costs or reductions under paragraph (c) above not more than 90 days after the later of (i) such date and (ii) the date on which it shall have become aware of such costs or reductions. In the event a Borrower shall reimburse any Bank pursuant to this Section 2.12 for any cost and the Bank shall subsequently receive a refund in respect thereof, the Bank shall so notify the Borrower and, upon its request, will pay to the Borrower the portion of such refund which it shall determine in good faith to be allocable to the cost so reimbursed.

SECTION 2.13. Change in Legality. (a) Notwithstanding anything to the contrary herein contained, if any change in any law or regulation or in the interpretation thereof by any governmental authority charged with the administration or interpretation thereof shall make it unlawful for any Bank to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby, then, by written notice to the Company and to the Agent, such Bank may:

(i) declare that Eurodollar Loans will not thereafter be made by such Bank hereunder, whereupon such Bank shall not submit a Competitive Bid in response to a request for Eurodollar Competitive Loans and any

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request from the Borrowers for a Eurodollar Standby Borrowing shall, as to such Bank only, be deemed a request for an Alternate Base Loan unless such declaration is subsequently withdrawn; and

(ii) require that all outstanding Eurodollar Loans made by it be converted to Alternate Base Loans, in which event all such Eurodollar Loans shall be automatically converted to Alternate Base Loans as of the effective date of such notice as provided in paragraph (b) below (notwithstanding the provisions of Section 2.11).

The Borrower shall have the right at any time to prepay any Alternate Base Rate Loans resulting from a conversion under (ii) above. In the event any Bank shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Bank or the converted Eurodollar Loans of such Bank shall instead be applied to repay the Alternate Base Loans made by such Bank in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of Section 2.13(a), a notice to the Company by any Bank shall be effective, if lawful, on the last day of the then current Interest Period or, if there are then two or more current Interest Periods, on the last day of each such Interest Period, respectively; otherwise, such notice shall be effective on the date of receipt by the Company.

SECTION 2.14. Indemnity. Each Borrower shall indemnify each Bank against any loss or expense which such Bank may sustain or incur as a consequence of any failure by such Borrower to fulfill on the date of any borrowing hereunder the applicable conditions set forth in Article IV, any failure by such Borrower to borrow hereunder or to refinance any Loan hereunder after irrevocable notice of borrowing pursuant to Section 2.02 or Section 2.03 or irrevocable notice of refinancing pursuant to Section 2.11 has been given, any payment, prepayment or conversion of a Certificate of Deposit Loan, Eurodollar Loan or Fixed Rate Loan to such Borrower required by any other provision of this Agreement or otherwise made, or any transfer of any such Loan pursuant to Section 2.19, on a date other than the last day of the applicable Interest Period, any default in payment or prepayment of the principal amount of any Loan to such Borrower or any part thereof or interest accrued

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thereon, as and when due and payable (at the due date thereof, by irrevocable notice of prepayment or otherwise), or the occurrence of any Event of Default, including, but not limited to, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Certificate of Deposit Loan, Eurodollar Loan or Fixed Rate Loan. Such loss or reasonable expense shall include, without limitation, an amount equal to the excess, if any, as reasonably determined by each Bank of (i) its cost of obtaining the funds for the Loan being paid, prepaid, converted or not borrowed or refinanced (based on the Adjusted CD Rate or the Adjusted LIBO Rate, or, in the case of a Fixed Rate Loan, the fixed rate of interest applicable thereto) for the period from the date of such payment, prepayment or failure to borrow or refinance to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow or refinance, the Interest Period for such Loan which would have commenced on the date of such failure to borrow or refinance) over (ii) the amount of interest (as reasonably determined by such Bank) that would be realized by such Bank in reemploying the funds so paid, prepaid or not borrowed or refinanced by making a Loan of the same type in such principal amount and with a maturity comparable to such period.

SECTION 2.15. Pro Rata Treatment. Except as provided under Section 2.13, each Standby Borrowing, each payment or prepayment of principal of any Standby Borrowing, each payment of interest on the Standby Loans, each payment of the Facility Fees, each reduction of the Commitments and each refinancing of any Borrowing with a Standby Borrowing of any type, shall be allocated pro rata among the Banks in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Standby Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Banks participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Banks participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Banks at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Banks (including those Banks which shall

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not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Bank agrees that in computing such Bank's portion of any Borrowing to be made hereunder, the Agent may, in its discretion, round each Bank's percentage of such Borrowing to the next higher or lower whole dollar amount.

SECTION 2.16. Sharing of Setoffs. Each Bank agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrowers, or pursuant to, a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Bank under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Standby Loan or Loans as a result of which the unpaid principal portion of the Standby Loans shall be proportionately less than the unpaid principal portion of the Standby Loans of any other Bank, it shall be deemed simultaneously to have purchased from such other Bank at face value, and shall promptly pay to such other Bank the purchase price for, a participation in the Standby Loans of such other Bank, so that the aggregate unpaid principal amount of the Standby Loans and participations in the Standby Loans held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of all Standby Loans then outstanding as the principal amount of its Standby Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Standby Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.16 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrowers expressly consent to the foregoing arrangements and agree that any Bank holding a participation in a Standby Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by such Borrower to such Bank by reason thereof as fully as if such Bank had made a Standby Loan directly to such Borrower in the amount of such participation.

SECTION 2.17. Payments. (a) Any Borrower shall make each payment (including principal of or interest on any

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Loan or any fees or other amounts) hereunder not later than 12:00 (noon), New York time, on the date when due in dollars to the Agent at its offices at 270 Park Avenue, New York, New York, in immediately available funds.

(b) Whenever any payment (including principal of or interest on any Loan or any fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, if applicable.

SECTION 2.18. Taxes. (a) Any and all payments by any Borrower hereunder shall be made, in accordance with Section 2.17, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on the Agent's or any Bank's (or any transferee's or assignee's, including a participation holder's (any such entity a "Transferee")) net income and franchise taxes imposed on the Agent or any Bank (or Transferee) by the United States or any jurisdiction under the laws of which it is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Banks (or any Transferee) or the Agent, (i) the sum payable shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.18) such Bank (or Transferee) or the Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxing authority or other governmental authority in accordance with applicable law.

(b) In addition, the Borrowers agree to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

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(c) The Borrowers will indemnify each Bank (or Transferee) and the Agent for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.18) paid by such Bank (or Transferee) or the Agent, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant taxing authority or other governmental authority. Such indemnification shall be made within 30 days after the date any Bank (or Transferee) or the Agent, as the case may be, makes written demand therefor. If a Bank (or Transferee) or the Agent shall become aware that it is entitled to receive a refund in respect of Taxes or Other Taxes, it shall promptly notify the Borrower of the availability of such refund and shall, within 30 days after receipt of a request by the Borrower, apply for such refund at the Borrower's expense. If any Bank (or Transferee) or the Agent receives a refund in respect of any Taxes or Other Taxes for which such Bank (or Transferee) or the Agent has received payment from any Borrower hereunder it shall promptly notify the appropriate Borrower of such refund and shall, within 30 days after receipt of a request by such Borrower (or promptly upon receipt, if such Borrower has requested application for such refund pursuant hereto), repay such refund to such Borrower, net of all out-of-pocket expenses of such Bank and without interest; provided that such Borrower, upon the request of such Bank (or Transferee) or the Agent, agrees to return such refund (plus penalties, interest or other charges) to such Bank (or Transferee) or the Agent in the event such Bank (or Transferee) or the Agent is required to repay such refund.

(d) Within 30 days after the date of any payment of Taxes or Other Taxes withheld by such Borrower in respect of any payment to any Bank (or Transferee) or the Agent, such Borrower will furnish to the Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt evidencing payment thereof.

(e) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.18 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(f) Each Bank (or Transferee) which is organized outside the United States shall promptly notify the Borrower of any change in its funding office and upon written request

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of the Borrower shall, prior to the immediately following due date of any payment by the Borrower hereunder, deliver to the Borrower such certificates, documents or other evidence, as required by the Code or Treasury Regulations issued pursuant thereto, including Internal Revenue Service Form 1001 or Form 4224 and any other certificate or statement of exemption required by Treasury Regulation Section 1.1441-1(a) or Section 1.1441-6(c) or any subsequent version thereof, properly completed and duly executed by such Bank (or Transferee) establishing that such payment is (i) not subject to withholding under the Code because such payment is effectively connected with the conduct by such Bank (or Transferee) of a trade or business in the United States or (ii) totally exempt from United States tax under a provision of an applicable tax treaty. Unless the Borrowers and the Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under the Notes are not subject to United States withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrowers or the Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Bank (or Transferee) or assignee organized under the laws of a jurisdiction outside the United States.

(g) The Borrowers shall not be required to pay any additional amounts to any Bank (or Transferee) in respect of United States withholding tax pursuant to paragraph (a) above if the obligation to pay such additional amounts would not have arisen but for a failure by such Bank (or Transferee) to comply with the provisions of paragraph (f) above unless such failure results from (i) a change in applicable law, regulation or official interpretation thereof or (ii) an amendment, modification or revocation of any applicable tax treaty or a change in official position regarding the application or interpretation thereof, in each case after the date hereof (and, in the case of a Transferee, after the date of assignment or transfer); provided, however, the Borrowers shall be required to pay those amounts to any Bank (or Transferee) that it was required to pay hereunder prior to the failure of such Bank (or Transferee) to comply with the provisions of such paragraph (f).

(h) Any Bank (or Transferee) claiming any additional amounts payable pursuant to this Section 2.18 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by any Borrower or to change the jurisdiction of its

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applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Bank, be otherwise disadvantageous to such Bank (or Transferee).

SECTION 2.19. Termination or Assignment of Commitments Under Certain Circumstances. (a) Any Bank (or Transferee) claiming any additional amounts payable pursuant to Section 2.12 or Section 2.18 or exercising its rights under Section 2.13 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrowers or to change the jurisdiction of its applicable lending office if the making of such filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue or avoid the circumstances giving rise to such exercise and would not, in the sole determination of such Bank, be otherwise disadvantageous to such Bank (or Transferee).

(b) In the event that any Bank shall have delivered a notice or certificate pursuant to Section 2.12 or 2.13, or the Borrowers shall be required to make additional payments to any Bank under Section 2.18, the Borrowers shall have the right, at their own expense, upon notice to such Bank and the Agent, (x) to terminate the Commitment of such Bank or (y) to require such Bank to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 10.04) all its interests, rights and obligations under this Agreement to another financial institution acceptable to the Agent (which approval shall not be unreasonably withheld) which shall assume such obligations; provided that (i) no such termination or assignment shall conflict with any law, rule or regulation or order of any governmental authority and (ii) the Borrowers or the assignee, as the case may be, shall pay to the affected Bank in immediately available funds on the date of such termination or assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

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### III. REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to each of the Banks that:

#### SECTION 3.01. Organization, Corporate Powers.

The Company and each of the Subsidiaries 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 business 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 of the Company and the Subsidiaries taken as a whole. The Company has the corporate power to execute, deliver and perform its obligations under this Agreement, to borrow hereunder and to execute and deliver the Notes to be delivered by it. Each Borrowing Subsidiary, at the time it becomes a Borrowing Subsidiary and at all times thereafter, will have the corporate power to execute and deliver the Borrowing Subsidiary Agreement delivered by it and to perform its obligations thereunder and under this Agreement, to borrow hereunder and to execute and deliver the Notes to be delivered by it. Each Borrowing Subsidiary will be incorporated under the laws of a state of the United States or the District of Columbia.

SECTION 3.02. Authorization. The execution, delivery and performance of this Agreement and each Borrowing Subsidiary Agreement, the borrowings hereunder, and the execution and delivery of the Notes (a) have been (or, in the case of any Borrowing Subsidiary Agreement and the Notes delivered by any Borrowing Subsidiary, will at the time they are delivered have been) duly authorized by all requisite corporate and, if required, stockholder action on the part of the Company or the applicable Borrowing Subsidiary, as the case may be, and (b) will not (i) violate (A) any provision of law, statute, rule or regulation or the certificate or articles of incorporation or other constitutive documents or the By-laws or regulations of the Company or any Subsidiary, (B) 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) any provisions of any indenture, agreement or other instrument to which the Company or any Subsidiary is a party, or by which the Company or any Subsidiary or any of their respective properties or assets are or may be bound, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse

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of time or both) a default under any indenture, agreement or other instrument referred to in (b)(i)(C) above or (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any property or assets of the Company or any Subsidiary.

SECTION 3.03. Governmental Approval. No registration with or consent or approval of, or other action by, any Federal, state or other governmental agency, authority or regulatory body is or will be required in connection with the execution, delivery and performance of this Agreement or any Borrowing Subsidiary Agreement by the Company or any Borrowing Subsidiary, the execution and delivery of the Notes by the Company or any Borrowing Subsidiary or the borrowings hereunder by the Company or any Borrowing Subsidiary.

SECTION 3.04. Enforceability. This Agreement constitutes a legal, valid and binding obligation of the Company and will, upon the execution and delivery of a Borrowing Subsidiary Agreement by any Borrowing Subsidiary, constitute a legal, valid and binding obligation of such Borrowing Subsidiary, and the Notes, when duly executed and delivered by the Borrowers, will constitute legal, valid and binding obligations of the Borrowers, in each case enforceable in accordance with their respective terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally).

SECTION 3.05. Financial Statements. The Company has heretofore furnished to each of the Banks consolidated balance sheets and statements of income and changes in financial position as of and for the fiscal year ended December 31, 1991, audited and certified by Ernst & Young, independent public accountants. Such balance sheet and statement of income and changes in financial position present fairly the financial condition and results of operations of the Company and the Subsidiaries as of the date and for the periods indicated. Such balance sheet and the notes thereto disclose all material liabilities, direct or contingent, of the Company and the Subsidiaries as of the dates thereof. The financial statement referred to in this Section 3.05 has been prepared in accordance with generally accepted accounting principles applied on a consistent basis. There has been no material adverse change in the businesses, assets, operations or condition, financial or otherwise, of the Company or the Company and the Subsidiaries taken as a whole since December 31, 1991.

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SECTION 3.06. Litigation; Compliance with Laws, etc. (a) 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, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or the businesses, assets or rights of the Company or any Subsidiary (i) which involve this Agreement or any of the transactions contemplated hereby or (ii) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, could, individually or in the aggregate, materially 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 affect the businesses, assets, operations, prospects or condition, financial or otherwise, of the Company or the Company and the Subsidiaries taken as a whole, or impair the validity or enforceability of or the ability of the Company or any Borrowing Subsidiary to perform its obligations under this Agreement, any Borrowing Subsidiary Agreement or any of the Notes.

(b) Neither the Company nor any Subsidiary is in violation of any law, or in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court or governmental agency or instrumentality, where such violation or default could have a materially adverse effect on the businesses, assets, operations or condition, financial or otherwise, of the Company or the Company and the Subsidiaries taken as a whole.

SECTION 3.07. Federal Reserve Regulations.

(a) Neither the Company nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of the Loans will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund indebtedness originally incurred for such purpose, or (ii) for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including, without limitation, Regulations G, U or X thereof.

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SECTION 3.08. Taxes. The Company and the Subsidiaries have filed or caused to be filed all Federal, state and local tax returns which are required to be filed by them, and have paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by any of them, other than any taxes or assessments the validity of which the Company or any Subsidiary is contesting in good faith by appropriate proceedings, and with respect to which the Company or such Subsidiary shall, to the extent required by generally accepted accounting principles applied on a consistent basis, have set aside on its books adequate reserves.

SECTION 3.09. Employee Benefit Plans. Each of the Company and the Subsidiaries is in compliance in all material respects with those provisions of ERISA and the regulations and public interpretations thereunder which are applicable to the Company and the Subsidiaries. As of the date hereof, no Reportable Event has occurred with respect to any Plan as to which the Company was required to file a report with the PBGC, and no material unfunded vested liabilities exist under any Plan.

SECTION 3.10. No Material Misstatements. No information, report, financial statement, exhibit or schedule prepared or furnished by or on behalf of any Borrower to any Bank in connection with this Agreement or the Notes or included therein or delivered pursuant thereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, are or will be made, not misleading.

SECTION 3.11. Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.12. Environmental and Safety Matters. Except as set forth in Schedule 3.12, or except where the Company reasonably believes that non-compliance, either individually or in the aggregate, will not have a material adverse effect on the business or condition (financial or otherwise) of the Company, the Company and each Subsidiary has complied with all Federal, state, local and other statutes, ordinances, orders, judgments, rulings and regulations relating to environmental pollution or to environmental regulation or control or to employee health or

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safety. Except as set forth in Schedule 3.12, or except where the Company reasonably believes that non-compliance, either individually or in the aggregate, will not have a material adverse effect on the business or condition (financial or otherwise) of the Company, neither the Company nor any Subsidiary has received notice of any failure so to comply. Except as set forth in Schedule 3.12, the Company's and the Subsidiaries' plants do not manage any hazardous wastes, hazardous substances, hazardous materials, toxic substances, toxic pollutants or substances similarly denominated, as those terms or similar terms are used in the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, the Toxic Substance Control Act, the Clean Air Act, the Clean Water Act or any other applicable law relating to environmental pollution or employee health and safety, in violation of any law or any regulations promulgated pursuant thereto where the Company reasonably believes that such violations, either individually or in the aggregate, will have a material adverse effect on the business or condition (financial or otherwise) of the Company. Except as set forth in Schedule 3.12, or except where the Company reasonably believes that such events, conditions or circumstances, either individually or in the aggregate, will not have a material adverse effect on the business or condition (financial or otherwise) of the Company, the Company is aware of no events, conditions or circumstances involving environmental pollution or contamination or employee health or safety that could reasonably be expected to result in a material adverse effect on the business or condition (financial or otherwise) of the Company or any Subsidiary.

#### IV. CONDITIONS OF LENDING

The obligations of the Banks to make Loans hereunder shall be subject to the following conditions precedent:

SECTION 4.01. All Borrowings. On the date of each borrowing hereunder, including each refinancing pursuant to Section 2.11:

(a) The Agent shall have received a notice of such borrowing as required by Section 2.02, 2.03 or 2.11.

(b) The representations and warranties set forth in Article III hereof (except, in the case of any

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refinancing of a Standby Borrowing with a new Standby Borrowing that does not increase the aggregate principal amount of the Loans of any Bank outstanding, the representations and warranties contained in the last sentence of Section 3.05, in Section 3.06 and in Section 3.09) shall be true and correct in all material respects with the same effect as though made on and as of such date.

(c) Each Borrower shall be in compliance with all the terms and provisions contained herein on its part to be observed or performed, and at the time of and immediately after such borrowing no Event of Default or event which with notice or lapse of time or both would constitute an Event of Default shall have occurred and be continuing.

(d) Each Bank shall have received a Competitive Note or Standby Note, as applicable, duly executed by the Company or a Borrowing Subsidiary, as applicable, payable to its order and otherwise complying with the provisions of Section 2.05.

Each borrowing hereunder shall be deemed to be a representation and warranty by each Borrower on the date of such borrowing as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. First Borrowing by Each Borrowing Subsidiary. The obligations of the Banks to make Loans to each Borrowing Subsidiary hereunder on the first date on which Loans are made to such Borrowing Subsidiary are subject to the following additional conditions precedent:

(a) The Banks shall have received the favorable written opinion of Hall, Dickler, Lawler, Kent & Friedman or other counsel satisfactory to the Banks, dated the date of such Loans, addressed to the Banks and satisfactory to Cravath, Swaine & Moore, counsel for the Agent, to the effect set forth in Exhibit E hereto.

(b) All legal matters incident to this Agreement, the Notes and the borrowings hereunder shall be satisfactory to Cravath, Swaine & Moore, counsel for the Agent.

(c) The Banks shall have received (i) a certificate of the Secretary or an Assistant Secretary of such Borrowing Subsidiary dated the date on which such Loans

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are to be made and certifying (A) that attached thereto are true and complete copies of the certificate of incorporation and the by-laws of such Borrowing Subsidiary as in effect on the date of such certificate and at all times since a date prior to the date of the resolution of such Borrowing Subsidiary described in item (B) below, (B) that attached thereto is a true and complete copy of a resolution adopted by the Board of Directors of such Borrowing Subsidiary authorizing the execution, delivery and performance of the Borrowing Subsidiary Agreement and the Notes delivered by such Borrowing Subsidiary and the borrowings hereunder by such Borrowing Subsidiary, and that such resolution has not been modified, rescinded or amended and is in full force and effect, and (C) as to the incumbency and specimen signature of each officer of such Borrowing Subsidiary executing the Borrowing Subsidiary Agreement and the Notes delivered by such Borrowing Subsidiary or any other document delivered in connection herewith or therewith; (ii) a certificate of another officer of such Borrowing Subsidiary as to the incumbency and signature of the Secretary or such Assistant Secretary of such Borrowing Subsidiary; and (iii) such other documents as any Bank or Cravath, Swaine & Moore, counsel for the Agent, may reasonably request.

(d) Each Bank shall have received a copy of the Borrowing Subsidiary Agreement executed by such Borrowing Subsidiary.

(e) The Banks shall have received a certificate, dated such date and signed by the chief financial officer of the Company, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01.

(f) The Agent shall have received all fees and other amounts due and payable on or prior to such date.

#### V. AFFIRMATIVE COVENANTS

The Company covenants and agrees with each Bank that, so long as this Agreement shall remain in effect or the principal of or interest on any Note, any Facility Fee or any other expense or amount payable hereunder shall be

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unpaid, unless the Required Banks shall otherwise consent in writing, it will, and will cause each of the Subsidiaries to:

SECTION 5.01. Corporate Existence. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise permitted by Section 6.03, and except that any Subsidiary may be merged or liquidated into the Company or another Subsidiary; provided, in the case of a Borrowing Subsidiary, that the corporation into which it is merged or liquidated first assumes all the obligations of such Borrowing Subsidiary under this Agreement and the Notes delivered by it by a written instrument satisfactory in form and substance to the Agent.

SECTION 5.02. Businesses and Properties. At all times do or cause to be done all things necessary to preserve, renew and keep in full force and effect the rights, licenses, permits, franchises, patents, copyrights, trademarks and trade names material to the conduct of its businesses; maintain and operate such businesses in substantially the manner in which they are presently conducted and operated (subject to changes in the ordinary course of business); comply in all material respects with all laws and regulations applicable to the operation of such businesses whether now in effect or hereafter enacted and with all other applicable laws and regulations; take all action which may be required to obtain, preserve, renew and extend all licenses, permits and other authorizations which may be material to the operation of such businesses; and at all times maintain, preserve and protect all property material to the conduct of such businesses and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto.

SECTION 5.03. Insurance. (a) Keep its insurable properties adequately insured at all times by financially sound and reputable insurers, (b) maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies similarly situated and in the same or similar businesses, (c) maintain in full force and effect public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by the Company or any Subsidiary, in

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such amount as the Company or such Subsidiary shall reasonably deem necessary, and (d) maintain such other insurance as may be required by law.

SECTION 5.04. Obligations and Taxes. Pay all indebtedness and obligations promptly when due in accordance with their terms, and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, might give rise to liens or charges upon such properties or any part thereof; provided, however, that neither the Company nor any Subsidiary shall be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Company or such Subsidiary shall, to the extent required by generally accepted accounting principles applied on a consistent basis, have set aside on its books adequate reserves with respect thereto.

SECTION 5.05. Financial Statements; Reports. In the case of the Company, furnish to each Bank:

(a) within 120 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company and related statements of income and changes in financial position showing the financial condition of the Company and the Subsidiaries as of the close of such fiscal year and their results of their operations during such year, all audited by Ernst & Young or other independent certified public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such financial statements fairly present the financial condition and results of operations of the Company and the Subsidiaries in accordance with generally accepted accounting principles consistently applied;

(b) within 60 days after the end of each of the first three quarters in each fiscal year of the Company, a consolidated balance sheet and related statements of income and changes in financial position showing the financial condition of the Company and the Subsidiaries as of the close of such quarter and their results of operations for such quarter and the then

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elapsed portion of the fiscal year, all certified by the chief financial officer or the chief accounting officer of the Company as fairly presenting the financial condition and results of operations of the Company and the Subsidiaries in accordance with generally accepted accounting principles applied consistently with those used in preparing the statements delivered pursuant to (a) above;

(c) concurrently with any delivery under (a) or (b) above, a certificate of the chief financial officer or the chief accounting officer of the Company certifying (i) that no Event of Default, or event or condition which with notice or lapse of time or both would constitute an Event of Default, has occurred or, if such an Event of Default or event or condition has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations evidencing compliance with the provisions of Section 6.04 and demonstrating that the sum of (i) the obligations secured by liens permitted under Section 6.01(k) and (ii) the Attributable Debt in respect of Sale and Leaseback Transactions entered into by the Company and the Subsidiaries does not exceed 10% of Consolidated Net Worth;

(d) promptly upon their becoming available, copies of all regular and periodic reports, proxy statements and other materials filed by the Company or any Subsidiary with the Securities and Exchange Commission, or any governmental authority succeeding to any of or all the functions of said Commission, or with any national securities exchange, or distributed to the shareholders of the Company; and

(e) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Company and the Subsidiaries as the Agent may reasonably request.

SECTION 5.06. Litigation and Other Notices. Give each Bank prompt written notice of the following:

(a) the issuance by any court or governmental agency or authority of any injunction, order or other restraint prohibiting, or having the effect of prohibiting, the making of the Loans or the initiation of any

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litigation seeking any such injunction, order or other restraint;

(b) the filing or commencement of, or any written threat or written notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any court or any Federal, state, municipal or other governmental agency or authority as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, could materially impair the right of the Company and the Subsidiaries taken as a whole to carry on business substantially as then conducted or materially and adversely affect the business, assets, operations, prospects or condition (financial or otherwise) of the Company and the Subsidiaries taken as a whole;

(c) any Event of Default or event or condition which, upon notice or lapse of time or both, would constitute an Event of Default, specifying the nature and extent thereof and the action (if any) which is proposed to be taken with respect thereto;

(d) any change in the Ratings; and

(e) any development in the business or affairs of the Company or any Subsidiary which has resulted in or which is likely, in the reasonable judgment of the Company, to result in a material adverse change in the business, assets, operations or condition (financial or otherwise) of the Company and the Subsidiaries taken as a whole.

SECTION 5.07. ERISA. (a) Comply in all material respects with the applicable provisions of ERISA and (b) furnish to each Bank, (i) as soon as possible, and in any event within 30 days after any Responsible Officer of the Company knows or has reason to know that there has occurred any Reportable Event with respect to any Plan that, alone or together with any other Reportable Event with respect to the same or another Plan, has a reasonable possibility of resulting in liability of the Company or any Subsidiary to the PBGC in an aggregate amount exceeding \$5,000,000, a statement of the chief financial officer or the chief accounting officer of the Company setting forth details as to such Reportable Event and the action which the Company proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the

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PBGC if any notice is required to be given to said Corporation, (ii) promptly after receipt thereof, a copy of any notice the Company or any Subsidiary may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Plans, or to appoint a trustee to administer any Plan or Plans and (iii) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code of a notice of failure to make a required installment or other payment with respect to a Plan, a statement of the chief financial officer or the chief accounting officer setting forth details as to such failure and the action proposed to be taken with respect thereto, together with a copy of such notice given to the PBGC.

**SECTION 5.08. Maintaining Records; Access to Properties and Inspections.** Maintain financial records in accordance with generally accepted accounting principles and, upon reasonable notice, at all reasonable times, permit any authorized representative designated by the Agent to visit and inspect the properties of the Company and of any Subsidiary and permit any authorized representative designated by any Bank to discuss the affairs, finances and condition of the Company and the Subsidiaries with the Company's chief financial officer and chief accounting officer and such other officers as the Company shall deem appropriate.

## VI. NEGATIVE COVENANTS

The Company covenants and agrees with each Bank that, so long as this Agreement shall remain in effect or the principal of or interest on any Note, any Facility Fee or any other expense or amount payable hereunder shall be unpaid, unless the Required Banks shall otherwise consent in writing, it will not, and it will not cause or permit any Subsidiary to, either directly or indirectly:

**SECTION 6.01. Liens.** Incur, create, assume or permit to exist any mortgage, pledge, security interest, lien, charge or other encumbrance of any nature whatsoever, including conditional sale or other title retention agreements (collectively, "liens") on any of its property or assets, whether owned at the date hereof or hereafter acquired, or assign or convey any rights to or security interests in any future revenues, except:

(a) liens incurred and pledges and deposits made in the ordinary course of business in connection with

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worker's compensation, unemployment insurance, old-age pensions and other social security benefits;

(b) liens securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, surety, customs and appeal bonds and other obligations of like nature, incurred as an incident to and in the ordinary course of business;

(c) liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's and vendors' liens, incurred in good faith in the ordinary course of business and securing obligations which are not yet due or which are being contested in good faith by appropriate proceedings;

(d) liens securing the payment of taxes, assessments and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate legal or administrative proceedings and as to which the Company or a Subsidiary, as the case may be, shall have set aside on its books adequate reserves;

(e) zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under or asserted by a landlord or owner of the leased property, with or without consent of the lessee), none of which materially impairs the use of any parcel of property material to the operation of the business of the Company or any Subsidiary or the value of such property for the purpose of such business;

(f) liens upon any property acquired, constructed or improved by the Company or any Subsidiary which are created or incurred contemporaneously with or within 90 days after such acquisition, construction or improvement to secure or provide for the payment of any part of the purchase price of such property or the cost of such construction or improvement (but no other amounts); provided that any such mortgage, lien or security interest shall not apply to any other property of the Company or any Subsidiary;

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(g) liens on property existing at the time such property is acquired by the Company or a Subsidiary, and liens on property of a Subsidiary existing at the time it becomes a Subsidiary; provided, in each case, that such liens were not created in contemplation of the acquisition by the Company or such Subsidiary of such property or the acquisition by the Company of such Subsidiary;

(h) liens on the property or assets of any Subsidiary in favor of the Company or another Subsidiary;

(i) liens existing on the date of this Agreement and disclosed in the financial statements referred to in Section 3.05 or the notes thereto;

(j) extensions, renewals and replacements of liens referred to in paragraphs (a) through (i) of this Section 6.01; provided that any such extension, renewal or replacement lien shall be limited to the property or assets covered by the lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement lien shall be in an amount not greater than the amount of the obligations secured by the lien extended, renewed or replaced; and

(k) other liens securing obligations the aggregate amount of which, together with the amount of all Attributable Debt of the Company and the Subsidiaries in respect of Sale and Leaseback Transactions permitted under Section 6.02, does not at any time exceed 10% of Consolidated Net Worth.

#### SECTION 6.02. Sale and Leaseback Transactions.

Enter into any arrangement, directly or indirectly, with any person whereby the Company or any Subsidiary shall sell or transfer any property, real or personal, and used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which the Company or such Subsidiary intends to use for substantially the same purpose or purposes as the property being sold or transferred (any such arrangement being called a "Sale and Leaseback Transaction"), without the prior written consent of the Required Banks; provided that, subject to Section 6.01(k), the Company and the Subsidiaries may enter into Sale and Leaseback Transactions the Attributable Debt with respect to which does not in the aggregate at any time exceed 10% of Consolidated Net Worth.

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SECTION 6.03. Consolidations, Mergers and Sales of Assets. Merge with or into or consolidate with any other person or sell, lease, transfer or assign to any person or otherwise dispose of (whether in one transaction or a series of transactions) all or substantially all its assets (whether now owned or hereafter acquired), except that so long as immediately thereafter and after giving effect thereto no Event of Default, and no event or condition which with the giving of notice or lapse of time or both would constitute an Event of Default, has occurred and is continuing, any Subsidiary may merge into, or sell, lease, transfer or assign all or substantially all its assets to, the Company or a direct or indirect wholly owned Subsidiary, and may merge with or into or consolidate with any other person if the surviving corporation in such merger or consolidation shall be a direct or indirect wholly owned Subsidiary; provided, however, that no Borrowing Subsidiary may merge into or consolidate with, or sell, lease, transfer or assign all or substantially all its assets to any person unless such person, or, in the event of a merger or consolidation, the surviving entity, shall assume all the obligations of such Borrowing Subsidiary under this Agreement and the Notes delivered by it by an instrument in writing satisfactory to the Agent.

SECTION 6.04. Consolidated Net Worth. Permit Consolidated Net Worth to be less at any time than (a) during the fiscal year ending December 31, 1992, \$2,500,000,000 and (b) during each subsequent fiscal year, an amount equal to (i) the Consolidated Net Worth required to be maintained under this Section during the immediately preceding fiscal year plus (ii) 33% of Consolidated Net Income, if positive, for such immediately preceding fiscal year.

SECTION 6.05. Fiscal Year. Change its fiscal year to end on any date other than December 31.

## VII. EVENTS OF DEFAULT

In case of the happening of any of the following events (herein called Events of Default):

- (a) any representation or warranty made or deemed made in or in connection with this Agreement or the Notes or the borrowings hereunder or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or the execution and delivery of the Notes or the borrowings

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hereunder shall prove to have been false or misleading in any material respect when made;

(b) default shall be made in the payment of any principal of any Note when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Note or any fee or any other amount (other than an amount referred to in (b) above) due under this Agreement, when and as the same shall become due and payable, and such default shall continue for a period of 10 days;

(d) default shall be made in the due observance or performance of any other covenant, condition or agreement to be observed or performed on the part of the Company or any Borrowing Subsidiary pursuant to the terms of this Agreement and, in the case of any covenant, condition or agreement contained in Article V (other than Section 5.01 or 5.06), such default shall continue for a period of 10 days after written or telegraphic notice thereof from any Bank to the Company;

(e) the Company or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, liquidation, receivership or similar law, (ii) consent to the institution of, or fail to contravene in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Company or such Subsidiary or for a substantial part of the property or assets of the Company or any Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take corporate action for the purpose of effecting any of the foregoing;

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(f) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Company or any Subsidiary, or of a substantial part of the property or assets of the Company or any Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Company or any Subsidiary or for a substantial part of the property of the Company or any Subsidiary or (iii) the winding-up or liquidation of the Company or any Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days;

(g) default shall be made with respect to any Indebtedness of the Company or any Subsidiary if the effect of any such default shall be to accelerate, or to permit the holder or obligee of any Indebtedness (or any trustee on behalf of such holder or obligee) to accelerate (with or without notice or lapse of time or both), the maturity of Indebtedness in an aggregate amount in excess of \$5,000,000; or any payment of principal or interest, regardless of amount, on any Indebtedness of the Company or a Subsidiary in an aggregate principal amount in excess of \$5,000,000, shall not be paid when due, whether at maturity, by acceleration or otherwise (after giving effect to any period of grace specified in the instrument evidencing or governing such Indebtedness);

(h) a Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Plans that reasonably could be expected to result in liability of the Company or any Subsidiary to the PBGC or to a Plan in an aggregate amount in excess of \$5,000,000 and within 30 days after the reporting of such Reportable Event or Reportable Events to the Agent or after receipt by the Agent of the statement required pursuant to Section 5.07(b)(iii) the Agent shall have notified the Company in writing that (i) it has determined that on the basis of such Reportable Event or Reportable Events there are reasonable grounds (A) for termination of such Plan or Plans by the PBGC,

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(B) for the appointment by the appropriate United States District Court of a trustee to administer such Plan or Plans or (C) for the imposition of a lien in favor of a Plan and (ii) as a result of such determination, an Event of Default exists hereunder; or the PBGC shall have instituted proceedings to terminate any Plan or Plans, or a trustee shall have been appointed by a United States District Court to administer any Plan or Plans, with vested unfunded liabilities aggregating in excess of \$5,000,000;

(i) a final judgment for the payment of money in excess of \$5,000,000 shall be rendered by a court or other tribunal against the Company or any Subsidiary or any combination thereof and shall remain undischarged for a period of 45 consecutive days during which execution of such judgment shall not have been stayed effectively; or

(j) there shall have occurred a Change in Control;

then, and in any such event (other than an event with respect to a Borrower described in paragraph (e) or (f) above), and at any time thereafter during the continuance of such event, the Agent may with the consent, and shall at the request, of the Required Banks, by written or telegraphic notice to the Company, take either or both of the following actions at the same or different times: (i) terminate forthwith the Commitments of the Banks hereunder and (ii) declare the Notes then outstanding to be forthwith due and payable, whereupon the principal of the Notes, together with accrued interest thereon and any unpaid accrued Facility Fees and all other liabilities of the Borrowers accrued hereunder, shall become forthwith due and payable both as to principal and interest, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any Note to the contrary notwithstanding; and in any event with respect to a Borrower described in paragraph (e) or (f) above, the Commitments of the Banks shall automatically terminate and the Notes shall automatically become due and payable, both as to principal and interest, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any Note to the contrary notwithstanding.

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## VIII. THE AGENT

In order to expedite the various transactions contemplated by this Agreement, Chemical Bank is hereby appointed to act as Agent on behalf of the Banks. Each of the Banks, and each subsequent holder of any Note by its acceptance thereof, hereby irrevocably authorizes and directs the Agent to take such action on behalf of such Bank or holder under the terms and provisions of this Agreement and to exercise such powers hereunder as are specifically delegated to or required of the Agent by the terms and provisions hereof, together with such powers as are reasonably incidental thereto. The Agent is hereby expressly authorized on behalf of the Banks, without hereby limiting any implied authority, (a) to receive on behalf of each of the Banks any payment of principal or interest on the Notes outstanding hereunder and all other amounts accrued hereunder paid to the Agent, and promptly to distribute to each Bank its proper share of all payments so received; (b) to give notice within a reasonable time on behalf of each of the Banks to the Company of any Event of Default specified in this Agreement of which the Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Bank copies of all notices, agreements and other material as provided for in this Agreement as received by such Agent.

Neither the Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them hereunder except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith or be required to ascertain or to make any inquiry concerning the performance or observance by any Borrower of any of the terms, conditions, covenants or agreements of this Agreement. The Agent shall not be responsible to the Banks or the holders of the Notes for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement, the Notes or any other instrument to which reference is made herein. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof until it shall have received from the payee of such Note notice, given as provided herein, of the transfer thereof. The Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Banks, or the Banks, as specifically required herein, and, except as otherwise specifically provided herein, such instructions

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and any action taken or failure to act pursuant thereto shall be binding on all the Banks and each subsequent holder of any Note. The Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument, paper or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Agent nor any of its directors, officers, employees or agents shall have any responsibility to any Borrower on account of the failure or delay in performance or breach by any Bank of any of its obligations hereunder or to any Bank on account of the failure of or delay in performance or breach by any other Bank or any Borrower of any of their respective obligations hereunder or in connection herewith. The Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Banks hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Banks.

Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by notifying the Banks and the Company. Upon any such resignation, the Required Banks shall have the right to appoint a successor. If no successor shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an affiliate of any such bank. Upon the acceptance of any appointment as Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations hereunder. After the Agent's resignation hereunder, the provisions of this Article and Section 10.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

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With respect to the Loans made by it hereunder and the Notes issued to it, the Agent in its individual capacity and not as an Agent shall have the same rights and powers hereunder and under any other agreement executed in connection herewith as any other Bank and may exercise the same as though it were not an Agent, and the Agent and its affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other affiliate thereof as if it were not the Agent.

Each Bank recognizes that applicable laws, rules, regulations or guidelines of governmental authorities may require the Agent to determine whether the transactions contemplated hereby should be classified as "highly leveraged" or assigned any similar or successor classification, and that such determination may be binding upon the other Banks. Each Bank understands that any such determination shall be made solely by the Agent based upon such factors (which may include, without limitation, the Agent's internal policies and prevailing market practices) as the Agent shall deem relevant and agrees that the Agent shall have no liability for the consequences of any such determination.

Each Bank agrees (i) to reimburse the Agent in the amount of such Bank's pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Banks by the Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Banks, not reimbursed by any Borrower and (ii) to indemnify and hold harmless the Agent and any of its directors, officers, employees or agents, on demand, in the amount of its pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against it in its capacity as the Agent or any of them in any way relating to or arising out of this Agreement or any action taken or omitted by it or any of them under this Agreement, to the extent not reimbursed by any Borrower, provided that no Bank shall be liable to the Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Agent or any of its directors, officers, employees or agents.

Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and

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based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder.

#### IX. GUARANTEE

The Company unconditionally guarantees, as a primary obligor and not merely as a surety, the due and punctual payment of principal of and interest on each Note of a Borrowing Subsidiary, when and as due, whether at maturity, by acceleration, by notice of prepayment or otherwise, and all other monetary obligations of the Borrowing Subsidiaries to the Banks under this Agreement (collectively, the "Obligations"). The Company further agrees that the Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

The Company waives presentment to, demand of payment from and protest to the Borrowing Subsidiaries of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. The obligations of the Company under this Article IX shall not be affected by (a) the failure of any Bank to assert any claim or demand or to enforce any right or remedy against any Borrowing Subsidiary under the provisions of this Agreement or otherwise; (b) any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement, the Notes, any guarantee or any other agreement; (c) the release of any security held by any Bank for the Obligations or any of them; or (d) the failure of any Bank to exercise any right or remedy against any other guarantor of the Obligations.

The Company further agrees that its guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by any Bank to any security held for payment of the Obligations or to any balance of any deposit account or credit on the books of such Bank in favor of any Borrowing Subsidiary or any other person.

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The obligations of the Company under this Article IX shall not be subject to any reduction, limitation, impairment or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Company under this Article IX shall not be discharged or impaired or otherwise affected by the failure of any Bank to assert any claim or demand or to enforce any remedy under this Agreement, any Note, any guarantee or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of the Company or otherwise operate as a discharge of the Company as a matter of law or equity.

The Company further agrees that its guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation (including, without limitation, any payment pursuant to this Guarantee) is rescinded or must otherwise be restored by any Bank upon the bankruptcy or reorganization of any Borrowing Subsidiary or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Bank may have at law or in equity against the Company by virtue hereof, upon the failure of any Borrowing Subsidiary to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Company hereby promises to and will, upon receipt of written demand by any Bank, forthwith pay, or cause to be paid, to the Agent for distribution to the Banks in cash the amount of such unpaid Obligations, and thereupon each Bank shall, in a reasonable manner, assign the amount of the Obligations owed to it and paid by the Company pursuant to this guarantee to the Company, such assignment to be pro tanto to the extent to which the Obligations in question were discharged by the Company, or make such other disposition thereof as the Company shall direct (all without recourse to such Bank and without any representation or warranty by such Bank).

Upon payment by the Company of any sums to a Bank as provided above, all rights of the Company against any

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Borrowing Subsidiary arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations to the Banks; provided, however, that to the extent any right of subrogation that the Company might have pursuant to this Agreement or otherwise would constitute the Company a "creditor" of any Borrowing Subsidiary within the meaning of Section 547 of Title 11 of the United States Code as now in effect or hereafter amended, or any comparable provision of any successor statute, the Company hereby irrevocably waives such right of subrogation.

#### X. MISCELLANEOUS

SECTION 10.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed (or in the case of telegraphic communication, delivered by telex, telecopier, graphic scanning or other telegraphic communications equipment) addressed,

(a) if to the Company, at 77 W. 66th Street, New York, N.Y. 10023, Attention of David J. Vondrak, Vice President and Treasurer (Telecopy No.: (212) 456-1285), with a copy to Capital Cities/ABC, Inc., Legal Department, at 77 W. 66th Street, New York, N.Y. 10023, Attention of Griffith Foxley, Esq. (Telecopy No.: (212) 456-6565;

(b) if to the Agent, to it at 270 Park Avenue, New York, N.Y. 10017, to the attention of Stephen B. Paras (Telecopy No.: (212) 972-9854 Confirm: (212) 270-2056); and

(c) if to a Bank, at its address set forth in Section 2.01 hereof.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if hand delivered or three days after being sent by registered or certified mail, postage prepaid, return receipt requested, if by mail, or upon receipt if by any telegraphic, telecopier or telex communications equipment, in each case addressed to such party as provided in this Section or in accordance with the latest unrevoked direction from such party.

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SECTION 10.02. Survival of Agreement. All covenants, agreements, representations and warranties, including, without limitation, the indemnities under Sections 2.12 and 2.14, made by the Borrowers herein and in the certificates or other instruments prepared or delivered in connection with this Agreement shall be considered to have been relied upon by the Banks and shall survive the making by the Banks of the Loans and the execution and delivery to the Banks of the Notes evidencing such Loans regardless of any investigation made by the Banks or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Note or any Facility Fee or any other fee or amount payable under the Notes or this Agreement is outstanding and unpaid and so long as the Commitments have not been terminated.

SECTION 10.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrowers, the Agent and each Bank and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior consent of all the Banks.

SECTION 10.04. Assignments and Participations.  
(a) Each Bank may assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the same portion of the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to an Affiliate of a Bank, the Company shall have given its prior written consent which shall not be unreasonably withheld, (ii) each such assignment shall be of a constant, and not a varying percentage of all the assigning Bank's rights and obligations under this Agreement, (iii) the amount of the Commitment of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Agent) shall in no event be less than the lesser of (A) \$25,000,000 and (B) the total Commitment of such assigning Bank (as set forth in Section 2.01 and as may be adjusted from time to time pursuant to Section 2.08), and shall be in an amount which is an integral multiple of \$1,000,000, (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and

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recordation fee of \$3,000 and (iv) the assignee, if it shall not be a Bank, shall deliver to the Agent an Administrative Questionnaire. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (x) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent provided in such Assignment and Acceptance, relinquish its rights (other than under Section 10.05) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, such Bank assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such Bank assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of any of the Borrowers or the performance or observance by any of the Borrowers of any of their respective obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 5.05 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will, independently and without reliance upon the Agent, such Bank assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee confirms that it is an Eligible

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Assignee; (vii) except as such assignee shall have previously disclosed to the Company, such assignee is not aware of any facts that in its reasonable judgment would require it to notify the Company pursuant to Section 2.19; (viii) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (ix) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Agent shall maintain at one of its offices in the City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrowers, the Agent and the Banks may treat each person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an Eligible Assignee together with the Note or Notes subject to such assignment, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Bank hereunder) and the processing and recordation fee referred to in paragraph (a) above, the Agent shall, if such Assignment and Acceptance has been completed and is in the form of Exhibit D hereto, and has been consented to by the Company (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Bank and the appropriate Borrower. Within five Business Days after receipt of notice, the appropriate Borrower, at its own expense, shall execute and deliver to the Agent, in exchange for the surrendered Standby Note or Standby Notes, (x) a new Competitive Note to the order of such assignee in an amount equal to the Total Commitment and a new Standby Note to the order of such assignee in an amount equal to the portion of the Commitment assumed by it pursuant to such Assignment and Acceptance and, (y) if the assigning Bank has retained a Commitment, a new Standby Note or Standby Notes to the order of such

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assigning Bank in a principal amount equal to the applicable Commitment retained by it. Such new Standby Note or Standby Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Standby Note or Standby Notes; such new Notes shall be dated the date of the surrendered Notes which they replace and shall otherwise be in substantially the form of Exhibit B-1 or B-2 hereto, as appropriate. Canceled Standby Notes shall be returned to the Borrower. The Agent shall provide the Company, within 100 days after the end of each fiscal year, and within 50 days after the end of the first three quarters of each fiscal year, of the Company, a list, current as of the date delivered, of all Banks that as of such date are parties hereto (including Banks that as of such date shall have become parties hereto pursuant to this Section) upon which list the Company shall rely in complying with its obligations under Section 5.05 to deliver documents to the Banks.

(e) Each Bank may without the consent of any Borrower sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Loans owing to it and the Notes held by it); provided, however, that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.12, 2.14 and 2.18 to the same extent as if they were Banks and (iv) the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and such Bank shall retain the sole right to enforce the obligations of the Borrowers relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or changing or extending the Commitments).

(f) Any Bank or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Company furnished to

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such Bank by or on behalf of the Company; provided that prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Company received from such Bank in accordance with its respective customary procedures with respect to confidential information.

(g) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrowers, the Agent or the Banks that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(h) Any Bank may at any time assign all or any portion of its rights under this Agreement and the Notes issued to it to a Federal Reserve Bank; provided that no such assignment shall release a Bank from any of its obligations hereunder.

(i) The Borrowers shall not assign or delegate any of its rights or duties hereunder.

SECTION 10.05. Expenses of the Banks; Indemnity.

(a) The Borrowers agree, jointly and severally, to pay all out-of-pocket expenses reasonably incurred by the Agent in connection with the preparation of this Agreement and the Notes or with any amendments, modifications or waivers of the provisions hereof (whether or not the transactions hereby contemplated shall be consummated) or reasonably incurred by the Agent or any Bank in connection with the enforcement or protection of their rights in connection with this Agreement or with the Loans made or the Notes issued hereunder, including, but not limited to, the reasonable fees and disbursements of Cravath, Swaine & Moore, counsel for the Agent, and, in connection with such enforcement or protection, the reasonable fees and disbursements of other counsel for any Bank.

(b) The Borrowers agree, jointly and severally, to indemnify the Banks and their directors, officers, employees and agents against, and to hold the Banks and such persons harmless from, any and all losses, claims, damages, liabilities and related expenses, including counsel fees and expenses, incurred by or asserted against the Banks or any such persons arising out of, in any way connected with, or as a result of (i) the use of any of the proceeds of the

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Loans and (ii) this Agreement and the other documents contemplated hereby, the performance by the parties hereto and thereto of their respective obligations hereunder and thereunder (including but not limited to the making of the Commitments) and consummation of the transactions contemplated hereby and thereby, or (b) any claim, litigation, investigation or proceedings relating to any of the foregoing, whether or not any Bank or any such person is a party thereto; provided that such indemnity shall not, as to any Bank, apply to any such losses, claims, damages, liabilities or related expenses arising from (A) any unexcused breach by such Bank of any of its obligations under this Agreement or (B) the gross negligence or wilful misconduct of such Bank.

(c) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any Note, or any investigation made by or on behalf of any Bank. All amounts due under this Section 10.05 shall be payable on written demand therefor.

SECTION 10.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower (and, in the case of the Company, any Borrowing Subsidiary) now or hereafter existing under this Agreement and the Notes held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or such Note and although such obligations may be unmaturred. Each Bank agrees promptly to notify the Company after any such setoff and application made by such Bank, but the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

SECTION 10.07. Applicable Law. This Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of New York.

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SECTION 10.08. Waivers; Amendments. (a) No failure or delay of any Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Banks hereunder are cumulative and not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or the Notes or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be authorized as provided in paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower in any case shall entitle such Borrower to any other or further notice or demand in similar or other circumstances. Each holder of any of the Notes shall be bound by any amendment, modification, waiver or consent authorized as provided herein, whether or not such Note shall have been marked to indicate such amendment, modification, waiver or consent.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the Required Banks (except that the Commitments may be adjusted as provided in Section 2.08); provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any date for the payment of any principal of or interest on, any Note, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Note, without the written consent of each holder affected thereby, (ii) change or extend the Commitment of any Bank without the written consent of such Bank, or decrease the Facility Fees without the written consent of each Bank, or (iii) amend or modify the provisions of this Section, Sections 2.09 through 2.16, Section 2.18, Section 2.19, Section 10.03 and 10.04 or Article IX or the definition of the "Required Banks", without the written consent of each Bank; and provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Agent hereunder without the written consent of the Agent. Each Bank and holder of any Note shall be bound by any waiver, modification or amendment authorized by this Section regardless of whether its Notes shall be marked to make reference thereto, and any consent by any Bank or holder of a Note pursuant to this Section shall bind any person subsequently acquiring a

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Note from it, whether or not such Note shall be so marked.

SECTION 10.09. Severability. In the event any one or more of the provisions contained in this Agreement or in the Notes should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10.10. Counterparts. This Agreement 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 contract, and shall become effective as provided in Section 10.03.

SECTION 10.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 10.12. Renegotiation to Reflect HLT Status. If at any time the Agent shall notify the Company that the transactions contemplated by this Agreement constitute an HLT, the Company, the Agent and the Banks shall promptly enter into negotiations with respect to, shall pursue such negotiations reasonably and in good faith until agreement is reached upon, and shall implement, the changes in the pricing set forth herein which the Company, the Agent and the Banks shall mutually agree to be appropriate, in light of then-current market conditions, to reflect the status of such transactions as an HLT, such changes in pricing to take effect 10 days after notification of such new pricing by the Agent to the Company, during which time the Company may elect to prepay any Loans then outstanding and terminate the Commitments hereunder; provided, however, that if such changes shall not have been agreed upon and implemented within 60 days following such notice from the Agent to the Company, then the Agent, acting in good faith, shall deliver to the Company and each Bank a notice specifying the changes in the pricing set forth herein which the Agent, acting in good faith, believes in its best judgment to reflect the additional increment in such pricing that would be appropriate and customary in the

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market solely as a result of the classification of such transactions as an HLT and such changes shall without further act be deemed incorporated into this Agreement effective as of the date of such notice. The Banks acknowledge that a determination that the transactions contemplated by this Agreement constitute an HLT shall in no event constitute an Event of Default or an event or condition which upon notice, lapse of time or both would constitute an Event of Default.

SECTION 10.13. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement or the Notes. Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties

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hereto have been induced to enter into this Agreement and the Notes, as applicable, by, among other things, the mutual waivers and certifications in this Section 10.13.

IN WITNESS WHEREOF, the Company, the Banks and the Agent have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CAPITAL CITIES/ABC, INC.,

by

David J. Vondrak  
Title: Vice President &  
Treasurer

CHEMICAL BANK, individually and as Agent,

by

Stephen B. Paras  
Title: Vice President

BANK OF AMERICA NT & SA,

by

Matthew A. Flynn  
Title: Vice President

THE BANK OF NEW YORK,

by

Kalpna Raina  
Title: Assistant Vice President

THE CHASE MANHATTAN BANK, N.A.,

by

Robert T. Smith  
Title: Vice President

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THE FIRST NATIONAL BANK OF BOSTON,

by

Lisa Cosimano Gallagher  
Title: Vice President

MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK,

by

David L. Greenwood  
Title: Vice President

NBD BANK, N.A.,

by

Carolyn J. Parks  
Title: Vice President

CANADIAN IMPERIAL BANK OF COMMERCE,

by

John P. White  
Title: Vice President

CITIBANK, N.A.,

by

Peter E. Dillon  
Title: Vice President

CONTINENTAL BANK N.A.,

by

Robert A. Curley, Jr.  
Title: Managing Director

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THE FIRST NATIONAL BANK OF CHICAGO,

by

Norah McCloy  
Title: Vice President

ROYAL BANK OF CANADA,

by

Alexander Birr  
Title: Senior Manager

SOCIETE GENERALE,

by

Pascale M. Hainline  
Title: Vice President

THE TORONTO-DOMINION BANK,

by

Emil D. Y. Fung  
Title: Managing Director

BANKERS TRUST COMPANY,

by

William J. Hughes  
Title: Vice President

THE BANK OF NOVA SCOTIA,

by

D. B. Crawford  
Title: Authorized Signatory

SWISS BANK CORPORATION,

by

Willy Schmid  
Title: Vice President

by

Martin J. Schmidt  
Title: Assistant Vice President

COMMERCE BANK OF KANSAS CITY,

by

Dama F. Stephenson

Title: Vice President

MARINE MIDLAND BANK, N.A.,

by

Mary Ann Tappero

Title: Assistant Vice President

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

by

Walter Beck

Title: Executive Vice President

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## FORM OF COMPETITIVE BID REQUEST

Chemical Bank, as Agent  
 for the Banks parties  
 to the Credit Agreement  
 referred to below  
 Agency Group  
 140 East 45th Street  
 29th Floor  
 New York, New York 10017  
 Attention: Janet Belden

[Date]

Dear Sirs:

The undersigned, \_\_\_\_\_, a  
 \_\_\_\_\_ corporation (the "Borrower"), refers to the  
 Revolving Credit Agreement, dated as of January 3, 1986, as  
 amended and restated through April 30, 1992, as amended (the  
 "Credit Agreement"), among Capital Cities/ABC, Inc., the  
 Banks named therein and Chemical Bank, as Agent for the  
 Banks. Capitalized terms used herein and not defined shall  
 have the meanings assigned to such terms in the Credit  
 Agreement. The Borrower hereby gives you notice pursuant to  
 Section 2.02(a) of the Credit Agreement that it requests a  
 Competitive Borrowing under the Credit Agreement, and in  
 that connection sets forth below the terms on which such  
 Competitive Borrowing is requested to be made:

(A) Date of Competitive Borrowing \_\_\_\_\_

(B) Aggregate Principal Amount of  
 Competitive Borrowing 1/ \_\_\_\_\_(C) Interest Period and the last  
 day thereof 2/ \_\_\_\_\_(D) Interest rate basis 3/ \_\_\_\_\_

Upon acceptance of any or all of the Loans offered  
 by Banks in response to this request, the Company shall be

1/ Not less than \$50,000,000 and in integral multiples of  
 \$50,000,000 or greater than the Total Commitment.

2/ Which shall end not later than the Maturity Date.

3/ Eurodollar Loan or Fixed Rate Loan.

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deemed to affirm as of such date the representations and warranties made in the Credit Agreement to the extent specified in Article IV thereof.

Very truly yours,

[Name of Borrower],

By

Title: [Responsible Officer]

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FORM OF NOTICE OF COMPETITIVE BID REQUEST

[Name of Bank]  
[Address]  
New York, New York  
Attention:

[Date]

Dear Sirs:

Reference is made to the Revolving Credit Agreement, dated as of January 3, 1986, as amended and restated through April 30, 1992, as amended (the "Credit Agreement"), among Capital Cities/ABC, Inc., the Banks named therein and Chemical Bank, as Agent for the Banks. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement. a corporation, made a Competitive Bid Request on , 19 pursuant to Section 2.02(a) of the Credit Agreement, and in that connection, you are invited to submit a Competitive Bid by [Date] [Time]. 1/ Your Competitive Bid must comply with Section 2.02(b) of the Credit Agreement and the terms set forth below on which the Competitive Bid Request was made:

- (A) Date of Competitive Borrowing \_\_\_\_\_
- (B) Aggregate Principal Amount of Competitive Borrowing \_\_\_\_\_
- (C) Interest Period and the last day thereof \_\_\_\_\_
- (D) Interest rate basis \_\_\_\_\_

Very truly yours,

CHEMICAL BANK,  
as Agent for the Banks,

by

Title: \_\_\_\_\_

1/ The Competitive Bid must be received by the Agent (i) in the case of Eurodollar Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the Business Day of the proposed Competitive Bid.

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FORM OF COMPETITIVE BID

Chemical Bank, as Agent for the  
 Banks parties to the Credit  
 Agreement referred to below  
 Agency Group  
 140 East 45th Street  
 29th Floor  
 New York, New York 10017  
 Attention: Janet Belden

[Date]

Dear Sirs:

The undersigned, [Name of Bank], refers to the Revolving Credit Agreement, dated as of January 3, 1986, as amended and restated through April 30, 1992, as amended (the "Credit Agreement"), among Capital Cities/ABC, Inc., the Banks named therein and Chemical Bank, as Agent for the Banks. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes [a Competitive Bid] [Competitive Bids] pursuant to Section 2.02(b) of the Credit Agreement, in response to the Competitive Bid Request made by \_\_\_\_\_, a \_\_\_\_\_ corporation (the "Borrower"), on \_\_\_\_\_, 19\_\_\_\_, and in that connection sets forth below the terms on which such [Competitive Bid is] [Competitive Bids are] made:

	<u>Principal Amount 1/</u>	<u>Competitive Bid Rate 2/</u>	<u>Interest Period and last day thereof</u>
Bid(s)	_____	_____	_____

The undersigned hereby confirms that it is prepared, subject to the conditions set forth in the Credit Agreement to extend credit to the Borrower upon acceptance

1/ Each bid must be in an amount of at least \$5,000,000 and in integral multiples of \$1,000,000.

2/ I.e., LIBO Rate + or - \_\_\_\_%, in the case of Eurodollar Loans or \_\_\_\_% in the case of Fixed Rate Loans.

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FORM OF COMPETITIVE BID ACCEPT/REJECT LETTER

[Date]

Chemical Bank, as Agent for  
the Banks referred to below  
Agency Group  
140 East 45th Street  
29th Floor  
New York, New York 10017  
Attention: Janet Belden

Dear Sirs:

The undersigned, [Borrower], a \_\_\_\_\_ corporation (the "Borrower"), refers to the Credit Agreement dated as of January 3, 1986, as amended and restated through April 30, 1992 (as it may hereafter be amended, modified, extended or restated from time to time, the "Credit Agreement"), among Capital Cities/ABC, Inc., the Banks named therein and Chemical Bank, as Agent for the Banks.

In accordance with Section 2.02(c) of the Credit Agreement, we have received a summary of bids in connection with our Competitive Bid Request dated \_\_\_\_\_ and in accordance with Section 2.02(d) of the Credit Agreement, we hereby accept the following bids for maturity on [date]:

<u>Principal Amount</u>	<u>Fixed Rate/Margin</u>	<u>Bank</u>
\$	[%]/[+/- %]	
\$		

We hereby reject the following bids:

<u>Principal Amount</u>	<u>Fixed Rate/Margin</u>	<u>Bank</u>
\$	[%]/[+/- %]	
\$		

The \$ \_\_\_\_\_ should be deposited in Chemical Bank account number [ \_\_\_\_\_ ] on [date].

Very truly yours,

[Borrower],

by

\_\_\_\_\_  
Name:

Title:

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FORM OF STANDBY BORROWING REQUEST

Chemical Bank, as Agent  
for the Banks parties  
to the Credit Agreement  
referred to below  
Agency Group  
140 East 45th Street  
29th Floor  
New York, New York 10017  
Attention: Janet Belden

[Date]

Dear Sirs:

The undersigned, \_\_\_\_\_, a  
corporation (the "Borrower"), refers to the  
Credit Agreement, dated as of January 3, 1986, as amended  
and restated through April 30, 1992 (the "Credit  
Agreement"), among Capital Cities/ABC, Inc., the Banks named  
therein and Chemical Bank, as Agent for the Banks. Capital-  
ized terms used herein and not defined shall have the mean-  
ings assigned to such terms in the Credit Agreement. The  
Borrower hereby gives you notice pursuant to Section 2.03 of  
the Credit Agreement that it requests a Standby Borrowing  
under the Credit Agreement, and in that connection sets  
forth below the terms on which such Standby Borrowing is  
requested to be made:

- (A) Date of Standby Borrowing \_\_\_\_\_
- (B) Aggregate Principal Amount of Standby Borrowing 1/ \_\_\_\_\_
- (C) Interest rate basis 2/ \_\_\_\_\_
- (D) Interest Period and the last day thereof 3/ \_\_\_\_\_

1/ Not less than \$50,000,000 and in integral multiples of \$50,000,000 (except in the case of Alternate Base Loans replacing a portion of a proposed Competitive Borrowing, as provided in paragraph (d) of Section 2.02).

2/ Certificate of Deposit Loan, Eurodollar Loan or Alternate Base Loan.

3/ Which shall be subject to the definition of "Interest

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Upon acceptance of any or all of the Loans offered by Banks in response to this request, the Company shall be deemed to affirm as of such date the representations and warranties made in the Credit Agreement to the extent specified in Article IV thereof.

Very truly yours,

[Name of Borrower],

By

Title: [Responsible Officer]

\_\_\_\_\_  
Period" and end not later than the Maturity Date.

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## FORM OF COMPETITIVE NOTE

\$1,000,000,000

New York, New York  
April 30, 1992

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  
 270 Park Avenue, New York, New York 10017, 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 April 30, 1992, as amended (the "Credit  
 Agreement"), among Capital Cities/ABC, 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, 1995, 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 Sec-  
 tions 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.

The Borrower promises to pay interest, on demand,  
 on any overdue principal and, to the extent permitted by  
 law, overdue interest from their due dates at a rate or  
 rates determined as set forth in the Credit Agreement.

The Borrower hereby waives diligence, presentment,  
 demand, protest and notice of any kind whatsoever. The  
 nonexercise by the holder of any of its rights hereunder in  
 any particular instance shall not constitute a waiver  
 thereof in that or any subsequent instance.

All borrowings evidenced by this Competitive Note  
 and all payments and prepayments of the principal hereof and  
 interest hereon and the respective dates thereof shall be  
 endorsed by the holder hereof on the schedule attached  
 hereto and made a part hereof, or on a continuation thereof

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which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that any failure of the holder hereof to make such a notation or any error in such notation shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Competitive Note and the Credit Agreement.

This Competitive Note is one of the Competitive Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Competitive Note shall be construed in accordance with and governed by the laws of the State of New York and any applicable laws of the United States of America.

[Name of Borrower],

by

Title: \_\_\_\_\_

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Loans and Payments

<u>Date</u>	<u>Amount of Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Payments</u>		<u>Unpaid Principal Balance of Note</u>	<u>Name of Person Making Notation</u>
				<u>Principal</u>	<u>Interest</u>		

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otherwise recorded by such holder in its internal records; provided, however, that any failure of the holder hereof to make such a notation or any error in such notation shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Standby Note and the Credit Agreement.

This Standby Note is one of the Standby Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Standby Note shall be construed in accordance with and governed by the laws of the State of New York and any applicable laws of the United States of America.

[Name of Borrower],

by

\_\_\_\_\_  
Title:

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Loans and Payments

<u>Date</u>	<u>Amount of Loan</u>	<u>Maturity Date</u>	<u>Interest Rate Option</u>	<u>Payments</u>		<u>Unpaid Principal Balance of Note</u>	<u>Name of Person Making Notation</u>
				<u>Principal</u>	<u>Interest</u>		

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Administrative Questionnaire

Capital Cities/ABC Inc.

\$1,000,000,000 Revolving Credit Agreement

NOTE TO PARTICIPANTS: PLEASE FORWARD THIS COMPLETED FORM AS SOON AS POSSIBLE TO JANET BELDEN, AGENCY GROUP, CHEMICAL BANK, VIA TELECOPIER TO (212) 270-0854.

PLEASE TYPE ALL INFORMATION.

AGENT: Chemical Bank  
270 Park Avenue  
New York, N.Y. 10017

CONTACTS: Elizabeth J. Clary (212) 270-4300 Structured Finance  
Stephen B. Paras (212) 270-8988 Banking & Corporate Finance

OPERATIONAL CONTACT: Janet Belden (212) 270-0011 Agency Group

TELEX: NY: 353006 Answerback: ABSCNYK

TELECOPIER: (212) 270-0854 (212)

Full Legal Name of your Bank: \_\_\_\_\_

Exact name of signing officer: \_\_\_\_\_

Title of signing officer: \_\_\_\_\_

Business address for delivery of execution copies of credit agreement (Please do not use P.O. Box address; hand deliveries cannot be made.):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signing officer's phone no.: \_\_\_\_\_

Alternate officer contact: \_\_\_\_\_

Alternate officer's phone no.: \_\_\_\_\_

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PRIMARY CONTACT INFORMATION

These contacts are for critical notification (drawdowns, repayments, rate setting, etc.)

Bank Name: \_\_\_\_\_

Address: \_\_\_\_\_

Primary Contact: \_\_\_\_\_

Title and Department: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Primary Telecopier: \_\_\_\_\_

Alternate Telecopier: \_\_\_\_\_

Primary Telex/Answerback: \_\_\_\_\_

ALTERNATE CONTACT INFORMATION

Alternate Contact: \_\_\_\_\_

Title and Department: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Primary Telecopier: \_\_\_\_\_

Alternate Telecopier: \_\_\_\_\_

Primary Telex/Answerback: \_\_\_\_\_

GENERAL OPERATIONAL INFORMATION

Wire Instructions to your bank: Bank Name: \_\_\_\_\_

Dept: \_\_\_\_\_

ABA #: \_\_\_\_\_

A/C #: \_\_\_\_\_

Attn: \_\_\_\_\_

Ref: \_\_\_\_\_

Telex information: Contact Name(s): \_\_\_\_\_

Number: \_\_\_\_\_

Answerback: \_\_\_\_\_

If any changes are made to the above information, please notify by telecopier to Janet Belden (212) 270-0011, and Rufus Kearny (212) 701-5658.

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Movement of funds: to us: Wire Fed Funds to:

Chemical Bank  
Wholesale Loan Services Department  
52 Broadway, 4th Floor  
New York, New York  
Attention: Rufus Kearney  
Reference: Capital Cities/ABC, Inc.

PLEASE COMPLETE THE FOLLOWING INFORMATION FOR  
COMPETITIVE AUCTIONS ONLY

Agent: Chemical Bank  
270 Park Avenue - 7th Floor  
New York, NY 10017  
Attn: Structured Finance Department

Telex: NY: 353006 Answerback: ABSCNYK

Telecopier: (212) 270-1063 Primary  
(212) 270- Back-up

Contacts: Janet Belden (212) 270-0011 Agency Group  
Elizabeth J. Clary (212) 270-4300 Structured Finance

Primary Contact  
Competitive Auctions

Bank Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Primary Contact: \_\_\_\_\_

Title: \_\_\_\_\_

Department: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Telex Number and Answerback: \_\_\_\_\_

Telecopier Number: \_\_\_\_\_

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Alternate Contact  
Competitive Auctions

Alternate Contact: \_\_\_\_\_  
Title: \_\_\_\_\_  
Department: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Telex Number and Answerback: \_\_\_\_\_  
Telecopier Number: \_\_\_\_\_

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## ASSIGNMENT AND ACCEPTANCE

Dated \_\_\_\_\_, 19\_\_

Reference is made to the Revolving Credit Agreement dated as of January 3, 1986, as amended and restated through April 30, 1992, as amended (the "Credit Agreement"), among Capital Cities/ABC, Inc., a New York corporation (the "Company"), the Banks (as defined in the Credit Agreement) named therein and Chemical Bank, as Agent for the Banks (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Effective Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth on the reverse hereof in the Commitment of the Assignor on the Effective Date and the Competitive Loans and Standby Loans owing to the Assignor which are outstanding on the Effective Date, together with unpaid interest accrued on the assigned Loans to the Effective Date and the amount, if any, set forth on the reverse hereof of the Fees accrued to the Effective Date for the account of the Assignor. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 10.04(b) of the Credit Agreement, a copy of which has been received by each such party. From and after the Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

2. This Assignment and Acceptance is being delivered to the Agent together with (i) the Notes evidencing the Loans included in the Assigned Interest, (ii) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.18(f) of the Credit Agreement, duly completed and executed by such Assignee, (iii) if the Assignee is not already a Bank under the Credit Agreement, an Adminis-

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trative Questionnaire in the form of Exhibit C to the Credit Agreement and (iv) a processing and recordation fee of \$3,000.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment  
(may not be fewer than 5 Business  
Days after the Date of Assignment):

<u>Facility</u>	<u>Principal Amount Assigned (and identifying information as to individual Competitive Loans)</u>	<u>Percentage Assigned of Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Banks thereunder)</u>
Commitment Assigned:	\$	%
Standby Loans:		
Competitive Loans:		
Fees Assigned (if any):		

The terms set forth above and on the reverse side hereof are hereby agreed to:

Accepted 1/

\_\_\_\_\_, as Assignor

CHEMICAL BANK, as agent

1/ To be completed only if consents are required under Section 10.04(a).

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By: \_\_\_\_\_  
Name:  
Title:  
  
\_\_\_\_\_, as Assignee

By: \_\_\_\_\_  
Name:  
Title:  
  
[NAME OF BORROWER]

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

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Substance of Opinion of  
Counsel for the Company  
To Be Delivered on the Date  
of the First Borrowing  
by Each Borrowing Subsidiary

1. The Borrowing Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

2. The execution and delivery by the Borrowing Subsidiary of the Borrowing Subsidiary Agreement delivered by it, performance by the Borrowing Subsidiary of such Borrowing Subsidiary Agreement and the Agreement, the borrowings by such Borrowing Subsidiary thereunder and the execution and delivery by such Borrowing Subsidiary of the Notes being delivered by it have been duly authorized by all requisite corporate and, if required, shareholder action.

3. The Borrowing Subsidiary Agreement and the Notes delivered by the Borrowing Subsidiary have been duly executed and delivered by the Borrowing Subsidiary and constitute legal, valid and binding obligations of the Borrowing Subsidiary, 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).

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BORROWING SUBSIDIARY AGREEMENT dated as of \_\_\_\_\_, 19\_\_\_\_, among CAPITAL CITIES/ABC, INC., a New York corporation (the "Company"), [Name of Subsidiary], a \_\_\_\_\_ corporation (the "Subsidiary"), and CHEMICAL BANK, a New York banking corporation, as agent (the "Agent") for the banks (the "Banks") party to the Revolving Credit Agreement dated as of January 3, 1986, as amended and restated through April 30, 1992, as amended (the "Credit Agreement"), among the Company, the Agent and the Banks.

Under the Credit Agreement, the Banks have agreed, upon the terms and subject to the conditions therein set forth, to make revolving credit loans to the Company and to subsidiaries (as defined in the Credit Agreement) of the Company which execute and deliver to the Agent Borrowing Subsidiary Agreements in the form of this Agreement. The Company represents that the Subsidiary is a subsidiary (as so defined) of the Company and that the guarantee of the Company contained in Article IX of the Credit Agreement applies to the obligations of the Subsidiary. In consideration of being permitted to borrow under the Credit Agreement upon the terms and subject to the conditions set forth therein, the Subsidiary agrees that from and after the date of this Agreement it will be, and will be liable for the observance and performance of all the obligations of, a Borrowing Subsidiary under the Credit Agreement, as the same may be amended from time to time, to the same extent as if it had been one of the original parties to the Credit Agreement.

IN WITNESS WHEREOF, the Company and the Subsidiary have caused this Agreement to be duly executed by their authorized officers as of the date first appearing above.

CAPITAL CITIES/ABC, INC.,

by \_\_\_\_\_

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[Name of Subsidiary]

by \_\_\_\_\_

Accepted as of the date  
first appearing above:

CHEMICAL BANK, as Agent,

by \_\_\_\_\_

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Schedule 3.12

None.

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SUPPLEMENTAL PROFIT SHARING PLAN

OF

CAPITAL CITIES/ABC, INC.

(As Amended Through April 9, 1992)

1. Purpose of Plan

This Supplemental Profit Sharing Plan of Capital Cities/ABC, Inc. (the "Corporation") is designed solely and exclusively to provide extra benefits for those officers and key employees of the Corporation and its subsidiaries who are participating in the Corporation's Employee Profit Sharing Plan and on whose behalf allocations of contributions and forfeitures under the Employee Profit Sharing Plan are limited solely by the operation of either Section 415 or Section 401(a)(17) of the Internal Revenue Code.

2. Definitions

(a) "Account Balance" means the dollar value of a Plan participant's account in the Supplemental Profit Sharing Ledger provided for in Section 6.

(b) "Affiliated Group" means the Affiliated Group as defined in Article I of the Profit Sharing Plan.

(c) "Annual Addition" means the Annual Addition as defined in Code Section 415(c).

(d) "Code" means the Internal Revenue Code of 1986.

(e) "Committee" means the Committee provided for in Section 3 to administer this Plan.

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(f) "Date of Termination" means the date of the termination of the participant's employment within the Affiliated Group for any reason, including his or her death.

(g) "Designated Beneficiary" means the beneficiary(ies) designated by the participant for this Plan. If the participant has not designated any beneficiary or if no beneficiary designated by the participant survives the participant, the Designated Beneficiary(ies) shall be deemed to be:

(i) the participant's surviving spouse; or if none

(ii) the participant's surviving children, as equal beneficiaries; or if none

(iii) the participant's surviving parents, as equal beneficiaries; or if none

(iv) the participant's surviving brothers and sisters, as equal beneficiaries; or, if none

(v) the participant's estate.

The Committee shall be entitled to rely on a written statement by the deceased participant's personal representative(s) in determining the identity of his or her Designated Beneficiary(ies).

If a participant's Designated Beneficiary survives the participant but dies before receiving the Plan benefits to which such Designated Beneficiary is entitled, such benefits shall be paid to the Designated Beneficiary's estate.



(h) "Plan" means the Supplemental Profit Sharing Plan of Capital Cities/ABC, Inc.

(i) "Profit Sharing Plan" means the Employee Profit Sharing Plan of Capital Cities/ABC, Inc.

(j) "Savings Fund Rate" means the earnings rate for a particular calendar year on the Savings Fund described in Article XII of the Profit Sharing Plan.

(k) "Subsidiary" means a subsidiary of the Corporation which has adopted this Plan for the benefit of its employees.

(l) "Supplemental Profit Sharing Credit" means an amount awarded to a Plan participant under Section 5 of the Plan.

### 3. Administration of the Plan

The Plan shall be administered by the Corporation's Compensation Committee; provided, however, that the Board of Directors of the Corporation, in its discretion, may appoint another and different committee to administer the Plan. Any committee which administers the Plan (including the Compensation Committee) shall at all times comprise at least three individuals and all members of any such committee shall be ineligible to participate in the Plan.

Subject to the express provisions of the Plan, the Committee shall have the authority, in its sole discretion, to construe the Plan; to decide all questions relating to the eligibility of any individual to participate in the Plan, or to his or her entitlement to benefits under the Plan; to prescribe, amend

and rescind rules and regulations relating to the Plan; and to make, amend or revoke all determinations and decisions necessary or advisable for administering the Plan.

All determinations and decisions of the Committee shall be made by a majority of the Committee and shall be binding on all persons.

No member of the Committee shall incur any liability for anything done or omitted to be done by him or her excepting only for his or her own willful misconduct. The Corporation shall indemnify the members of the Committee and hold each of them harmless for and against any liability which may be asserted against them or any of them on account of their actions or omissions to act as Committee members.

In exercising the powers granted to it under the Plan, the Committee may, but need not, consult with the Corporation's management. The Committee may engage and consult with counsel of its choice and shall be fully protected in relying or acting upon the opinion of such counsel.

4. Eligibility for Receipt of Supplemental Profit Sharing Credits

In order for an individual to be eligible to receive a Supplemental Profit Sharing Credit for a particular calendar year, the following conditions must be met:

(a) The individual must be a participant in the Profit Sharing Plan, and

(b) (i) The individual must be an officer of the Corporation or of a Subsidiary, or

(ii) The individual must be designated by the Committee as a key employee of the Corporation or of a Subsidiary who is eligible to participate in the Plan. Once designated, such an individual shall remain eligible to receive Supplemental Profit Sharing Credits in subsequent calendar years until the Committee shall have revoked his or her designation, and

(c) The amount of employer contributions and/or forfeitures to be allocated to him or her under the terms of the Profit Sharing Plan for the year must be limited solely as a result of the operation of either Section 415 of the Code or Section 401(a)(17) of the Code.

5. Award of Supplemental Profit Sharing Credits

(a) As soon as is practicable after the corporations participating in the Profit Sharing Plan have determined the amount to be contributed by them into the Profit Sharing Plan for any particular calendar year and the amount of forfeitures to be allocated under the Profit Sharing Plan for such year, the Corporation shall furnish to the Committee the following information:

(i) the name of each Profit Sharing Plan participant who is eligible to receive a Supplemental Profit Sharing Credit for such year, or who may be designated by the

Committee as eligible to receive such a Credit for such year, in accordance with the rules of Section 4; and

(ii) in the case of each such individual the amount of the excess of

(A) the aggregate amount of employer contributions and forfeitures which would have been allocated to his or her account under the Profit Sharing Plan for such year but for the operation of Section 415 of the Code or Section 401(a)(17) of the Code, over the sum of

(B) (1) the aggregate amount of employer contributions and forfeitures actually allocated or to be allocated to his or her account under the Profit Sharing Plan for such year; and

(2) the amount, if any, of the individual's own contributions which are included in his or her Annual Addition for such year.

(b) Supplemental Profit Sharing Credits shall thereafter be awarded to those individuals who are eligible for such awards under the rules of Section 4, and to those individuals who are designated by the Committee as eligible for such awards under such rules.

(c) All Supplemental Profit Sharing Credits shall be made effective as of December 31 of the calendar year for which they are awarded.

(d) A participant's Supplemental Profit Sharing Credit for a particular calendar year shall be the amount computed under paragraph (a)(ii) with respect to him or her for such year.

6. Supplemental Profit Sharing Ledger

The Committee shall establish an appropriate record to be called the "Supplemental Profit Sharing Ledger." Upon the award of a Supplemental Profit Sharing Credit to an individual, the Committee shall open an account in the Supplemental Profit Sharing Ledger for him or her in which it shall enter the dollar amount of such Credit. The dollar amount of all Supplemental Profit Sharing Credits subsequently awarded to the individual, together with the dollar amount of all Interest Credits thereon, shall also be entered in such account.

Each account shall indicate the name of the participant, his or her Account Balance at any time, and such other information as the Committee shall determine.

7. Interest Credits

(a) As at December 31st of the calendar year immediately following the first year for which an individual is awarded a Supplemental Profit Sharing Credit, the Committee shall make an Interest Credit to his or her account in the Supplemental Profit Sharing Ledger. Such Interest Credit shall be in an amount equal to the Savings Fund Rate for the year ended on such

date multiplied by the amount of the participant's Account Balance at the previous December 31st.

(b) As at December 31st in each subsequent calendar year through and including the year in which the participant's Date of Termination occurs, the Committee shall make an Interest Credit to the participant's account in an amount equal to the product of

(i) the Savings Fund Rate for such year, and

(ii) the participant's Account Balance as of the previous December 31st (taking into consideration any Supplemental Profit Sharing Credit awarded to the participant as of such date).

#### 8. Nonforfeitable of Benefits

(a) A participant's nonforfeitable rights in his or her benefits under this Plan shall be determined in accordance with the provisions of Section 5.1 of the Profit Sharing Plan, so that he or she shall have the same percentage of nonforfeitable rights in his or her benefits under this Plan as he or she has with respect to his or her interest in employer contributions under the Profit Sharing Plan.

(b) In the event that a participant's employment within the Affiliated Group shall terminate for any reason other than voluntarily on his or her own part then, notwithstanding the provisions of paragraph (a) of this Section, the Committee, in its sole discretion, may increase the percentage of the

participant's nonforfeitable rights in the benefits in his or her account.

(c) In the event that a participant's employment within the Affiliated Group is terminated on account of his or her malfeasance then, notwithstanding the provisions of paragraph (a) of this Section, the Committee, in its sole discretion, may declare forfeit the participant's rights to any and all benefits under this Plan.

(d) No participant shall have any rights to any benefits under this Plan except as set forth in this Section.

#### 9. Payment of Benefits

(a) The benefits to which a participant is entitled under this Plan shall be paid to him or her (or his or her Designated Beneficiary(ies), as the case may be), in a single lump sum distribution within 90 days after the beginning of the first calendar year commencing after the year in which his or her Date of Termination occurs.

(b) The amount of benefits to which a participant shall be entitled under this Plan shall be

(i) the aggregate dollar value of his or her Account Balance, computed immediately after all Credits have been made to his or her account in the Supplemental Profit Sharing Ledger for the year in which his or her Date of Termination occurs, multiplied by

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(ii) his or her nonforfeitable percentage with respect to his or her benefits, as determined under Section 8.

10. Trigger Events

(a) For the purpose of this Plan, a "Trigger Event" shall mean

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), other than Berkshire Hathaway, Inc., a Delaware corporation ("Berkshire"), or any Affiliate or Associate (as hereinafter defined) of Berkshire (Berkshire and such Affiliate and Associate being hereinafter referred to collectively as the "Berkshire Group"), in one or more transactions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of an aggregate of 20% or more of either (x) the then outstanding shares of common stock of the Corporation (the "Outstanding Company Common Stock") or (y) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Trigger Event: (A) any acquisition directly from the Corporation (excluding an acquisition by virtue of the exercise of a conversion privilege), provided that the Person acquiring such Outstanding Company Common Stock or Outstanding Company



Voting Securities beneficially owns less than 5% of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such acquisition, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Affiliate of the Corporation or (D) any acquisition by any corporation pursuant to a transaction described in clauses (A), (B) and (C) of paragraph (iv) below; or

(ii) The acquisition by any one or more of the Berkshire Group, in one or more transactions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 30% (the "Prohibited Percentage") of either the Outstanding Company Common Stock or the Outstanding Company Voting Securities, provided, however, that any such acquisition shall not constitute a Trigger Event if the Berkshire Group shall have attained the Prohibited Percentage (A) as the result of an acquisition of Outstanding Company Common Stock or Outstanding Company Voting Securities by the Corporation which, by reducing the number of shares outstanding, increases the proportionate number of shares owned by the Berkshire Group to the Prohibited Percentage or (B) with the consent of the Corporation's Board of Directors in accordance with an Agreement dated January 2, 1986 between the Corporation and Berkshire, provided however, that if the Berkshire Group shall become the beneficial owner of more than 30% of such securities pursuant to clauses (A) or (B) of this paragraph (ii), and shall thereafter

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acquire any additional Outstanding Company Common Stock or Outstanding Company Voting Securities other than pursuant to clause (B) of this paragraph (ii), then such acquisition shall constitute a Trigger Event; or

(iii) Individuals who constitute the Incumbent Board (as hereinafter defined) cease for any reason to constitute at least a majority of the Board of Directors of the Corporation (the "Board"). "Incumbent Board" shall mean individuals who as of December 14, 1989, constitute the Board and any individual who becomes a director subsequent to December 14, 1989, whose election, or nomination for election by the Corporation's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iv) Approval by the shareholders of the Corporation of a reorganization, merger or consolidation, in each case unless, following such reorganization, merger or consolidation, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting

Securities immediately prior to such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30%, of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation and (C) at least a majority of the members of the Board of Directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(v) Approval by the shareholders of the Corporation of (x) a complete liquidation or dissolution of the

Corporation or (y) the sale or other disposition of all or substantially all of the assets of the Corporation, other than to a corporation with respect to which, following such sale or other disposition, (A) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial

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agreement or action of the Board providing for such sale or other disposition of assets of the Corporation.

For the purpose of this Section, the terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on December 14, 1989.

(b) Upon the occurrence of a Trigger Event, as defined in this Section 10, the following provisions of this Section 10 shall apply and Sections 7 through 9 of this Plan shall not apply.

(c) All benefits under the Plan shall be completely nonforfeitable.

(d) The amount of benefits to which a participant shall be entitled under this Plan shall be the aggregate dollar value of his or her Account Balance as of the date of the occurrence of the Trigger Event.

(e) All benefits to which a participant is entitled under this Plan shall be paid to him or his Designated Beneficiary(ies), as the case may be, in a single lump-sum distribution immediately after the occurrence of the Trigger Event.

11. Non-Alienation of Benefits

No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, charge, levy, attachment or execution of judgments of any kind.

No right or benefit under this Plan shall in any manner be liable for or subject to the debts, contract liabilities or torts of the person entitled to such rights or benefits.

12. Adoption of Plan by Subsidiaries

Any subsidiary of the Corporation whose employees are participants in the Profit Sharing Plan may adopt this Plan for the benefit of its employees.

13. Claims

If any claim for benefits under the Plan is denied for any reason, written notice of such denial shall be given within 30 days thereafter to the participant or Designated Beneficiary on whose behalf the claim is made. Upon the written request of such participant or Designated Beneficiary delivered to the Committee within 60 days after such notice has been given, the Committee will fully review the denial of such benefits and will cause due notice of the results of its review to be given to the affected participant or Designated Beneficiary.

14. Amendment and Termination of Plan

The Board of Directors of the Corporation, in its discretion and at any time, may terminate the Plan or adopt such amendments or modifications of the Plan as it may deem advisable. In addition, any Subsidiary may terminate the Plan as to itself at any time. No termination, amendment or modification of the

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Plan shall deprive any participant of any right to which he or she has previously become entitled under the Plan.

15. Miscellaneous

(a) The adoption and maintenance of the Plan shall not be deemed to constitute a contract between a participant and the Corporation or any Subsidiary. Nothing herein contained shall be deemed to give to any participant the right to be retained in the employ of the Corporation or of any Subsidiary or to interfere with the right of any of them to discharge any participant at any time.

(b) No trust shall be deemed created in favor of any participant by the establishment of this Plan or his or her participation in it, and neither the Corporation nor any Subsidiary shall have any obligation whatsoever to fund any benefits hereunder. Participants' rights under this Agreement shall be solely those of unsecured contract creditors.

(c) All questions pertaining to the Plan shall be determined under the laws of the State of New York.

LO-12/BO1

Restated to reflect  
amendments adopted through  
April 16, 1990

BENEFIT EQUALIZATION PLAN  
OF  
CAPITAL CITIES/ABC, INC.

I. Purpose of Plan

The purpose of this Plan is to provide a means of equalizing the benefits of those employees participating in the Capital Cities/ABC, Inc. Retirement Plan (the "Retirement Plan"), the Capital Cities/ABC, Inc. Savings & Investment Plan (the "Savings Plan") and, after December 31, 1988, the Capital Cities/ABC, Inc. Supplemental Pension Plan (the "Supplemental Plan") whose funded benefits under the Retirement Plan, the Savings Plan, the Supplemental Plan or any of them are or will be limited by application of Sections 415 and 401(a)(17) of the Internal Revenue Code of 1986 (the "Code").

The "Employing Corporation" means Capital Cities/ABC, Inc. (the "Corporation") or any corporation participating in the Retirement Plan, the Savings Plan or the Supplemental Plan which employs any member in the Plan.

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## II. Administration of the Plan

The Pension Committee of the Retirement Plan shall administer the Plan. The Committee shall have the authority, in its sole discretion, to construe the Plan; to decide all questions relating to the eligibility of any individual to participate in the Plan or to his or her entitlement to benefits under the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan, and to make, amend or revoke all determinations and decisions necessary or advisable for administering the Plan. The Committee may employ and rely on such legal counsel, such actuaries, such accountants and such agents as it may deem advisable to assist in the administration of the Plan. Decisions of the Committee shall be conclusive and binding on all persons.

## III. Participation in the Plan

Only employees who are members of the Retirement Plan and/or members of the Savings Plan and/or members of the Supplemental Plan and who (i) are officers of the Corporation or an Employing Corporation elected by the Board of Directors of such corporations or (ii) who have the title of vice president or higher shall be eligible to participate in this Plan whenever their benefits under the Retirement Plan or the Savings Plan or

the Supplemental Plan as from time to time in effect would exceed the limitations on benefits and contributions imposed by Section 415 of the Code calculated from and after September 2, 1974 or would be limited by the application of Section 401(a)(17) of the Code from and after January 1, 1989.

For purposes of this Plan, the benefits under the Retirement Plan, the Savings Plan and/or the Supplemental Plan of a participant in this Plan shall be determined without regard for any provision contained in such Plans incorporating limitations imposed by Sections 415 and 401(a)(17) of the Code and without regard to the effect of any qualified domestic relations order, as described in Section 206(d) of the Employee Retirement Income Security Act of 1974, as amended, awarding any portion of such benefit to a former spouse or qualified dependent.

#### IV. Equalized Benefits Related to the Retirement Plan

The Employing Corporation shall pay to each of its eligible members of the Retirement Plan or their beneficiaries a supplemental pension benefit equal to the benefit which would have been payable to them under the Retirement Plan, without regard for any provision therein incorporating limitations imposed by Sections 415 and 401(a)(17) of the Code, to the extent that such benefit otherwise payable under the Retirement Plan

exceeds the limitations imposed by Sections 415 and 401(a)(17) of the Code. Such supplemental pension benefits shall be payable in accordance with all the terms and conditions applicable to the member's benefits under the Retirement Plan, including whatever optional benefits he may have elected. If a member's benefits under the Retirement Plan are to continue after his death for the benefit of his spouse or a designated beneficiary, then any participant in this Plan shall have the right at any time to change the recipient of the survivorship benefit payable under this Plan; provided, however, any such change if made after the applicable deadline set forth in the Retirement Plan, shall not affect the amount of the benefit payable under this Plan as originally calculated or the term for which such benefit is payable also as originally calculated.

#### V. Equalized Benefits Related to the Savings Plan

When the contributions for a member in the Savings Plan have met the limitations imposed by Sections 415 and 401(a)(17) of the Code for any year, the member shall no longer be permitted to make Tax Deferred Contributions or Taxed Contributions to the Savings Plan or to participate in Company contributions under the Savings Plan during that year.

The Corporation shall maintain a book account for each such member in this Plan to which the Employing Corporation shall credit an amount equal to the amount which would have been credited, but was not credited, to the member's account under the Savings Plan had he been permitted to make additional matched Tax Deferred Contributions or matched Taxed Contributions to the Trust Fund under the terms of the Savings Plan. Except as provided in the next sentence, a member whose Tax Deferred Contributions or Taxed Contributions are ended in any plan year after 1986 by reason of the limitations imposed by Sections 415 and 401(a)(17) of the Code shall have amounts credited to his account under this Article only if he shall have elected, at the time and in the manner determined by the Committee, to have his salary otherwise payable to him reduced on an after-tax basis, in the same manner as if he had made Taxed Contributions into the Savings Plan. A member of the Savings Plan who has received any credit under this Article for any period prior to 1987 shall have amounts credited to his account under this Article after 1986 only if he shall have elected, at the time and in the manner determined by the Committee, to have his salary otherwise payable to him deferred under this Plan. The aggregate amount of any salary reductions or deferrals shall be added to the member's book account under this Plan, and the member's rights in such salary reductions or deferrals shall be fully vested. The Corporation shall distribute to each member in this Plan or his beneficiary an amount in cash equal to the value of his book

account attributable to his deemed Tax Deferred Contributions or Taxed Contributions and the deemed contributions by the Employing Corporation for each year at the same times and under the same terms and conditions as set forth in the Savings Plan. If a member's benefits under the Savings Plan are to continue after his death for the benefit of his spouse or a designated beneficiary, then the member shall have the right at any time to change the recipient of the survivorship benefit payable under this Plan; provided, however, any such change, if made after the applicable deadline set forth in the Savings Plan, shall not affect the amount of the benefit payable under this Plan as originally calculated or the term for which such benefit is payable also as originally calculated.

#### VI. Equalized Benefits Related to the Supplemental Plan

The Employing Corporation shall pay to each of its eligible members of the Supplemental Plan or their beneficiaries a supplemental pension benefit equal to the benefit which would have been payable to them under the Supplemental Plan, without regard for any provision therein incorporating limitations imposed by Sections 415 and 401(a)(17) of the Code, to the extent that such benefit otherwise payable under the Supplemental Plan exceeds the limitations imposed by Sections 415 and 401(a)(17) of the Code. Such supplemental pension benefits shall be payable in

accordance with all the terms and conditions applicable to the member's benefits under the Supplemental Plan, including whatever optional benefits he may have elected. If a member's benefits under the Supplemental Plan are to continue after his death for the benefit of his spouse or a designated beneficiary, then any participant in this Plan shall have the right at any time to change the recipient of the survivorship benefit payable under this Plan; provided, however, any such change if made after the applicable deadline set forth in the Supplemental Plan, shall not affect the amount of the benefit payable under this Plan as originally calculated or the term for which such benefit is payable also as originally calculated.

#### VII. Trigger Events

(a) For the purpose of this Plan, a "Trigger Event" shall mean

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), other than Berkshire Hathaway, Inc., a Delaware corporation ("Berkshire"), or any Affiliate or Associate (as hereinafter defined) of

Berkshire (Berkshire and such Affiliate and Associate being hereinafter referred to collectively as the "Berkshire Group"), in one or more transactions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of an aggregate of 20% or more of either (x) the then outstanding shares of common stock of the Corporation (the "Outstanding Company Common Stock") or (y) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Trigger Event: (A) any acquisition directly from the Corporation (excluding an acquisition by virtue of the exercise of a conversion privilege), provided that the Person acquiring such Outstanding Company Common Stock or Outstanding Company Voting Securities beneficially owns less than 5% of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such acquisition, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the

Corporation or any Affiliate of the Corporation or  
(D) any acquisition by any corporation pursuant to  
a transaction described in clauses (A), (B) and  
(C) of paragraph (iv) below; or

(ii) The acquisition by any one or more of  
the Berkshire Group, in one or more transactions,  
of beneficial ownership (within the meaning of  
Rule 13d-3 promulgated under the Exchange Act) of  
more than 30% (the "Prohibited Percentage") of  
either the Outstanding Company Common Stock or the  
Outstanding Company Voting Securities, provided,  
however, that any such acquisition shall not  
constitute a Trigger Event if the Berkshire Group  
shall have attained the Prohibited Percentage (A)  
as the result of an acquisition of Outstanding  
Company Common Stock or Outstanding Company Voting  
Securities by the Corporation which, by reducing  
the number of shares outstanding, increases the  
proportionate number of shares owned by the  
Berkshire Group to the Prohibited Percentage or  
(B) with the consent of the Corporation's Board of  
Directors in accordance with an Agreement dated  
January 2, 1986 between the Corporation and  
Berkshire, provided however, that if the Berkshire  
Group shall become the beneficial owner of more

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than 30% of such securities pursuant to clauses (A) or (B) of this paragraph (ii), and shall thereafter acquire any additional Outstanding Company Common Stock or Outstanding Company Voting Securities other than pursuant to clause (B) of this paragraph (ii), then such acquisition shall constitute a Trigger Event; or

(iii) Individuals who constitute the Incumbent Board (as hereinafter defined) cease for any reason to constitute at least a majority of the Board of Directors of the Corporation (the "Board"). "Incumbent Board" shall mean individuals who as of December 14, 1989, constitute the Board and any individual who becomes a director subsequent to December 14, 1989, whose election, or nomination for election by the Corporation's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A

promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iv) Approval by the shareholders of the Corporation of a reorganization, merger or consolidation, in each case unless, following such reorganization, merger or consolidation, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation of the Outstanding Company Common Stock and Outstanding

Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30%, of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation and (C) at least a majority of the members of the Board of Directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(v) Approval by the shareholders of the Corporation of (x) a complete liquidation or dissolution of the Corporation or (y) the sale or other disposition of all or substantially all of the assets of the Corporation, other than to a corporation with respect to which, following such sale or other disposition, (A) more than 60% of,

respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of

such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Corporation.

For the purpose of this Section, the terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on December 14, 1989.

(b) Upon the occurrence of a Trigger Event, as defined in this Section VII, the following provisions of this Section VII shall apply.

(c) All benefits under the Plan shall be completely nonforfeitable.

(d) The amount of benefits to which a participant shall be entitled under this Plan shall be the aggregate amount determined under the foregoing Sections of this Plan as of the date of the occurrence of the Trigger Event upon the assumption that such

participant's benefits under the Retirement Plan, the Savings Plan and/or the Supplemental Plan were then fully vested and nonforfeitable.

(e) All benefits to which a participant is entitled under this Plan shall be paid to him or his designated beneficiary(ies), as the case may be, in a single lump-sum distribution immediately after the occurrence of the Trigger Event.

#### VIII. Claims

If any claim for benefits under the Plan is denied for any reason, written notice of such denial shall be given within 30 days thereafter to the participant or beneficiary on whose behalf the claim is made. Upon the written request of such participant or beneficiary delivered to the Committee within 60 days after such notice has been given, the Committee will fully review the denial of such benefits and will cause due notice of the results of its review to be given to the affected participant or beneficiary.

IX. Miscellaneous

This Plan may be terminated at any time by the Board of Directors of the Corporation, in which event the rights of participants to their accrued supplemental pension benefits and in their book accounts established under this Plan (to the extent not otherwise vested under the provisions of Article V) shall vest. This Plan may also be amended at any time by the Board of Directors of the Corporation, except that no such amendment shall deprive any participant of his supplemental pension benefit accrued at the time of such amendment or reduce the amount then credited to his book account established under this Plan.

Benefits payable under this Plan shall not be funded and shall be paid out of the general funds of the Employing Corporation.

This Plan shall be construed, administered and enforced according to the laws of the State of New York.

LO-59/A08

As Amended  
through 1/31/93

INCENTIVE COMPENSATION PLAN  
OF  
CAPITAL CITIES/ABC, INC.

I. PURPOSE OF PLAN

This Incentive Compensation Plan of Capital Cities/ABC, Inc. (the "Corporation") is designed to provide an incentive for the key employees of the Corporation and its present and future subsidiaries who are expected to make substantial contributions to the growth and success of the Affiliated Group (as hereinafter defined), by providing those employees with additional amounts of compensation measured by the value of the shares of the Corporation's Common Stock.

II. DEFINITIONS

(a) "Affiliated Group" means the Corporation and its subsidiaries.

A "subsidiary" is any corporation, more than 50% of the stock of which is owned by the Corporation, its subsidiary or subsidiaries, or any combination of them.

(b) "Committee" means the Committee provided for in Section IV to administer this Plan.



(c) "Common Stock" means the Common Stock, \$1 par value, of the Corporation.

(d) "Designated Beneficiary" means the beneficiary(ies) designated by the Participant for this Plan. If the Participant has not designated any beneficiary or if no beneficiary designated by the Participant survives the Participant, the Designated Beneficiary(ies) shall be deemed to be:

- (i) the Participant's surviving spouse; or, if none
- (ii) the Participant's surviving children, as equal beneficiaries; or, if none
- (iii) the Participant's surviving parents, as equal beneficiaries; or, if none
- (iv) the Participant's surviving brothers and sisters, as equal beneficiaries; or, if none
- (v) the Participant's estate.

The Committee shall be entitled to rely on a written statement by the deceased Participant's personal representative(s) in determining the identity of his Designated Beneficiary(ies).

If a Participant's Designated Beneficiary survives the Participant but dies before receiving all payments to which such Designated Beneficiary is entitled, the remaining payments shall be made to the Designated Beneficiary's estate.

(e) "Determination Date" means, with respect to a given Unit Account (and the related Interest Account), the earlier of

- (i) the date of the termination of the Participant's employment within the Affiliated Group; and
- (ii) the date the Participant completes five (5) years of continuous employment with one or more members of the Affiliated Group from and after the date of grant of the Units in the Unit Account.

(f) "Disability" means the total inability of a Participant to perform his assigned duties due to mental or physical disability established to the satisfaction of his employer on the basis of competent medical evidence, without regard to the degree of incapacity of such Participant.

(g) (i) "Fair Market Value" of one share of Common Stock means

(A) for the purpose of determining the amount of benefits to which a Participant is entitled with respect to the Units in a particular Unit Account, in accordance with the provisions of Section IX(b)(i), where the Participant has completed at least five (5) years of continuous employment with one or more members of the Affiliated Group from and after the date of grant of such Units, the average of the closing prices of the Common Stock on the principal securities exchange on which the Common Stock is traded

(1) on the date as of which Fair Market Value is to be determined (the "Valuation Date") and  
(2) on the first trading day of each of the six (6) calendar months commencing in the half-year preceding the Valuation Date on which there was at least one sale of Common Stock.

(B) for all other purposes of the Plan, the average of the closing prices of the Common Stock on the principal securities exchange on which the Common Stock is traded on the Valuation Date and on the five (5) trading days next preceding and the five (5) trading days next following the Valuation Date on which there was at least one sale of Common Stock.

(ii) If there are no sales of Common Stock on a Valuation Date, the next previous trading day on which there was at least one such sale shall be the Valuation Date.

(iii) If the Common Stock is not listed on any securities exchange on a date described in this paragraph (g), the mean between the highest closing bid and the lowest closing asked prices in the over-the-counter market on such date shall be substituted for the securities exchange closing price of the Common Stock for such date.

(h) "Participant" means any individual who is selected by the Committee to participate in the Plan.

(i) "Plan" means this Incentive Compensation Plan of Capital Cities/ABC, Inc.

(j) "Units" means the units granted to a Participant by the Committee which are the basis for determining his benefits under the Plan. Each Unit shall correspond and be equal to one share of Common Stock.

(k) The masculine gender shall include the feminine, and the singular shall include the plural, unless the context otherwise requires.

### III. MAXIMUM NUMBER OF UNITS SUBJECT TO GRANT

The number of Units which may be granted under the Plan shall not exceed 1,000,000. Any expired Units as to which no benefits have been paid shall again be available to be granted under the Plan.

### IV. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Corporation's Compensation Committee; provided, however, that the Board of Directors of the Corporation, in its discretion, may appoint another and different committee to administer the Plan; and provided, further, that

- (i) any committee which administers the Plan (including the Compensation Committee) shall at all times comprise at least three individuals and
- (ii) all members of any such committee shall be ineligible to participate in the Plan or any other plan of any member of the Affiliated Group which entitles participants to acquire stock, stock options or stock appreciation rights of any member of the Affiliated Group (and shall have been ineligible for such participation for at least one year prior to becoming members of the committee).

Subject to the express provisions of the Plan, the Committee shall have the authority, in its sole discretion, to construe the Plan; to decide all questions relating to the eligibility of any individual to participate in the Plan or his entitlement to benefits under the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; and to make, amend or revoke all determinations and decisions necessary or advisable for administering the Plan.

The Committee shall also have the authority, in its sole discretion, to cause any part or all of the benefits due to any Participant under the Plan to be paid to such Participant or his Designated Beneficiary(ies), as the case may be, at such time and in such form as the Committee shall consider to be in the best interests of the Company, notwithstanding any provision of the Plan (other than Section XVI) or any election by the Participant which would require such benefits to be paid at a

different time or in a different form. The Committee shall not have the authority to cause any benefits payable following the occurrence of a Trigger Event (as defined in Section XVI) to be paid at any time or in any form other than as prescribed in Section XVI.

All determinations and decisions of the Committee shall be made by a majority of the Committee and shall be binding on all persons.

No member of the Committee shall incur any liability for anything done or omitted to be done by him, excepting only for his own wilful misconduct. The Corporation shall indemnify the members of the Committee and hold each of them harmless for and against any liability which may be asserted against them or any of them on account of their actions or omissions to act as Committee members.

In exercising the powers granted to it under the Plan, the Committee may, but need not, consult with the Corporation's management. The Committee may engage and consult with counsel of its choice and shall be fully protected in relying or acting upon the opinion of such counsel.

#### V. SELECTION OF PARTICIPANTS

The Committee, in its sole discretion, shall determine the individuals who are to be Participants in the Plan.

VI. INCENTIVE COMPENSATION LEDGER

The Committee shall establish an appropriate record to be called the "Incentive Compensation Ledger". Upon any grant of Units to a Participant by the Committee, the Committee shall open a Unit Account and an Interest Account in the Incentive Compensation Ledger for such Participant with respect to such grant. A separate Unit Account and Interest Account shall be opened for each grant of Units.

Each set of accounts shall indicate the name of the Participant; the number of Units granted and their Fair Market Value from time to time and their dollar floor (if any); the date such Units were granted; the amount accumulated from time to time in the Interest Account; the number of Units as to which benefits have been paid; the amount of such benefits; whether such benefits were paid in cash, in Common Stock, or both; and such other information as the Committee shall determine. If a Participant has more than one set of accounts in the Incentive Compensation Ledger, each set shall be treated and considered separately as if no other set of accounts existed for such Participant.

VII. GRANTS AND CREDITS UNDER THE PLAN

(a) Upon the selection of any individual to be a Participant, the Committee, acting in its sole discretion, shall grant to him such number of Units as it shall determine and shall also determine the amount of the dollar floor, if any, to be applicable to such Units. Such number of Units and/or dollar floor amount may,

in the sole discretion of the Committee, be the same as or different than those with respect to the grant of Units to any other individual. Such Units shall be recorded in the Unit Account opened in accordance with the provisions of Section VI.

(b) As at the December 31 immediately following the grant of Units to a Participant and their recordation in a Unit Account, the Corporation shall make a credit to the related Interest Account. Such credit shall be in an amount equal to six (6%) percent of the excess (if any) of the then Fair Market Value of the Units over their dollar floor (if any), multiplied by a fraction the numerator of which is the number of days from the date of grant of the Units to the December 31 immediately following it, and the denominator of which is 365.

(c) As at December 31 in each subsequent calendar year ending prior to the Determination Date, the Corporation shall make a credit to the related Interest Account in an amount equal to six (6%) percent of the excess (if any) of the then Fair Market Value of the Units in the Unit Account (as to which benefits have not been paid) over their dollar floor (if any).

(d) The last credit to an Interest Account under this Section shall be made as at the end of the calendar month coinciding with or immediately following the Determination Date with respect to the Units in the related Unit Account. Such credit shall be in an amount equal to six (6%) percent of the excess (if any) of the Fair Market Value of such Units as at the Determination Date over their dollar floor (if any) multiplied by a fraction, the numerator of which is the number of months from the January 1 coinciding with or immediately preceding the Determination

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Date with respect to such Units to the date as of which the credit under this paragraph is made, and the denominator of which is 12. This paragraph shall not apply if the Determination Date with respect to any Units occurs in the calendar year in which such Units were granted.

(e) The percentage rate to be credited to Interest Accounts under this Section may be changed at any time and from time to time by the Committee, in its sole discretion.

(f) At any time after an original grant of Units to a Participant, the Committee may grant to him such additional number of Units as it, in its sole discretion, may determine.

#### VIII. NONFORFEITABILITY OF BENEFITS

(a) A Participant shall have a nonforfeitable right in a percentage of the benefits represented by the Units in a Unit Account based upon his number of full years of continuous employment with one or more members of the Affiliated Group from and after the date of grant of the Units, as follows:

<u>Number of years of employment</u>	<u>Nonforfeitable percentage</u>
less than one year	zero
1 year	15%
2 years	30%
3 years	50%
4 years	75%
5 years	100%

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(b) A Participant shall not have a nonforfeitable right to any part of the amount in an Interest Account until he has completed five (5) full years of continuous employment with one or more members of the Affiliated Group from and after the date of grant of the Units in the related Unit Account. Thereafter, the Participant's right to the entire amount in the Interest Account shall be entirely nonforfeitable.

(c) In the event that a Participant's employment within the Affiliated Group is terminated for any reason other than voluntarily on his own part then, notwithstanding the provisions of paragraphs (a) and (b) of this Section, the Committee, in its sole discretion, may increase the percentage of the Participant's nonforfeitable rights in the Units in any of his Unit Accounts and/or the amount actually credited to any of his Interest Accounts as of the end of the calendar month coinciding with or immediately following the date of the Participant's termination of employment.

(d) In the event that a Participant's employment within the Affiliated Group is terminated on account of his malfeasance then, notwithstanding the provisions of paragraphs (a) and (b) of this Section, the Committee, in its sole discretion, may declare forfeit the Participant's rights in the Units in any or all of his Unit Accounts and/or in any or all of his Interest Accounts.

(e) No Participant shall have any rights to benefits under this Plan except under the conditions set forth in this Section.

IX. PAYMENT OF BENEFITS

(a) Except as otherwise provided in Section X, the amounts to which a Participant is entitled under paragraphs (b) and (c) with respect to a particular Unit Account (and the related Interest Account) shall be paid to him or his Designated Beneficiary(ies), as the case may be, in a single lump-sum distribution within the sixty (60) day period following the end of the calendar year in which the Determination Date occurs with respect to such accounts (the "Determination Year"); provided, however, that the Committee may determine, in its sole discretion, to cause such distribution to be made prior to the end of the Determination Year.

(b) The amount of benefits to which a Participant shall be entitled with respect to a particular Unit Account (and the related Interest Account) shall be the sum of

- (i) (A) the number of Units in the Unit Account, multiplied by
- (B) the excess (if any) of the Fair Market Value of one share of Common Stock on the Determination Date over the dollar floor (if any) applicable to one Unit in the particular Unit Account, multiplied by
- (C) the Participant's nonforfeitable percentage with respect to the Unit Account, as determined under Section VIII(a), (c) and (d), plus

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- (ii) (A) the amount credited to the related Interest Account immediately after the most recent credit was made to it, pursuant to Section VII (b) through (d), multiplied by (B) the Participant's nonforfeitable percentage with respect to the Interest Account, as determined under Section VIII(b), (c) and (d).

(c) As at the end of each calendar month which begins after the Determination Date with respect to a particular Unit Account (and the related Interest Account), the Corporation shall make a credit to the Interest Account in an amount equal to the product of:

- (i) (A) the amount of benefits to which the Participant is entitled with respect to such accounts, as determined under Paragraph (b), minus (B) any amount of benefits previously paid with respect to such accounts, plus (C) any amount(s) credited to the Interest Account under this Paragraph (c) through the previous December 31, and
- (ii) one-twelfth (1/12) of seventy-five (75%) percent of the prime rate of interest at Citibank in New York City as of the first business day of such month.

The last credit to an Interest Account under this paragraph shall be made as at the end of the calendar month coinciding with or immediately preceding

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the first date when the Participant has no further rights in any Units in the Unit Account (whether because benefits have been paid with respect to such Units or otherwise).

(d) In the discretion of the Committee, the benefits to which a Participant is entitled with respect to a particular Unit Account (and the related Interest Account) shall be paid either (i) entirely in cash (ii) entirely in Common Stock or (iii) partly in cash and partly in Common Stock, the proportions to be determined by the Committee in its discretion. If any part of a Participant's benefits are to be paid in Common Stock, the number of shares to be distributed in any calendar year shall be determined based on the Fair Market Value of the Common Stock as at December 31 of the previous year. The amount of cash to be distributed in any calendar year in payment of a Participant's benefits shall equal the excess of

(i) the total amount of benefits to be distributed to the Participant in such year over

(ii) the product of

(A) the number of shares of Common Stock to be distributed to him in such calendar year, and

(B) the closing price of the Common Stock on the principal securities exchange on which the Common

Stock is traded on the business day next preceding the date of distribution.

(e) Notwithstanding the provisions of paragraph (d), no fractional shares of Common Stock shall be delivered in payment of any benefit under the Plan. The dollar value of any such fractional shares shall be paid in cash.

(f) Notwithstanding the provisions of paragraph (d), a Participant's benefits which are payable on account of his death or the termination of his employment because of Disability shall be paid entirely in cash.

X. OPTIONAL FORMS OF PAYMENT OF BENEFITS

(a) At any time up to the fifteenth (15th) day prior to the Determination Date with respect to a particular Unit Account (and the related Interest Account), a Participant may elect that the benefits to which he is entitled with respect to the accounts:

- (i) shall be paid in five (5) annual installments commencing within sixty (60) days after the end of the Determination Year,
- (ii) shall be paid in a single lump-sum distribution within the sixty (60) day period following the end of the calendar year in which his termination of employment within the Affiliated Group occurs (the "Employment Termination Year"); provided, however, that the Committee may determine, in its sole discretion, to cause such distribution

to be made in December of the Employment Termination Year,

(iii) shall be paid in five (5) annual installments commencing within sixty (60) days after the end of the Employment Termination Year,

(iv) shall be paid (or commence to be paid) at such other time and/or in such other form as the Committee, in its sole discretion, may approve.

(b) The elections provided by this Section shall be subject to the following rules:

(i) All elections shall be made (or revoked) in writing;

(ii) A Participant shall have the right to make any of the elections provided by this Section separately for each set of Unit and Interest Accounts in his name in the Incentive Compensation Ledger;

(iii) Any election made under paragraph (a) may be revoked and/or made again within the time provided by paragraph (a);

(iv) Where a Participant has elected to receive his benefits in installments, the amount of any installment shall be the remaining balance due the Participant with respect to the particular Unit Account (and the related Interest Account)

multiplied by a fraction the numerator of which is one (1) and the denominator of which is the number of installments remaining to be paid (inclusive of the installment then to be paid);

- (v) Any election made under paragraph (a) shall not be given effect if, in the judgment of the Committee, the Participant would be taxable on any part of his benefits in a year earlier than the one in which he would receive such benefits pursuant to his election;
- (vi) No election with respect to a particular Unit Account (and the related Interest Account) shall be given effect unless the Participant completes five (5) years of continuous employment with one or more members of the Affiliated Group from and after the date of grant of the Units in the Unit Account.

XI. NONALIENATION OF BENEFITS

No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, charge, levy, attachment or execution of judgments of any kind. No right or benefit under this Plan shall in any manner be liable for or subject to the debts, contract liabilities or torts of the person entitled to such rights or benefits.



XII. INVESTMENT UNDERTAKING

In connection with the grant of a Unit or the issuance of Common Stock with respect to it, each Participant may be required to represent and agree, as a condition precedent to such grant or issuance, that

(a) in the event any payment under the Plan is made in the form of shares of Common Stock, such shares will be acquired for investment and not with a view to their distribution, unless such shares shall be registered under an effective registration statement under the Securities Act of 1933, as amended; and

(b) at the time of issuance of such shares he will, if so requested, reconfirm in writing to the Corporation such investment undertaking.

The Corporation, if it deems it advisable, may place on the certificates representing such shares an appropriate legend with respect to the registration of the shares.

XIII. AMENDMENT AND TERMINATION OF PLAN

The Board of Directors of the Corporation, in its discretion and at any time, may terminate the Plan or adopt such amendments or modifications of the Plan as it may deem advisable. No such amendment or modification shall deprive any Participant of any right to which he has previously become entitled under the Plan.

XIV. APPROVAL OF SHAREHOLDERS

No shares of Common Stock shall be issued under the Plan until and unless the Plan has been approved by the shareholders of the Corporation. In the event that, subsequent to the approval of the Plan by the shareholders, the Plan shall be amended or modified by the Board of Directors of the Corporation to increase the number of Units that may be granted under the Plan, no shares of Common Stock shall be issued under the Plan with respect to such additional Units until and unless the amendment or modification of the Plan with respect to such additional Units has been approved by the shareholders of the Corporation.

XV. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

If the outstanding shares of Common Stock are increased, decreased, changed into, or exchanged for a different number or kind of shares or other securities of the Corporation or any other corporation through reorganization, merger, consolidation, recapitalization, reclassification, combination, exchange of shares, stock split-up, payment of a stock dividend or other capital adjustment, an appropriate and proportionate adjustment shall be made in each account in the Incentive Compensation Ledger with respect to the number of Units granted to a Participant. Unless the context indicates to the contrary, all references to the number of Units in this Plan shall mean such number as may be adjusted pursuant to the provisions of this Section XV.

Adjustments under this Section shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

XVI. TRIGGER EVENTS

- (a) For the purpose of this Plan, a "Trigger Event" shall mean
- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), other than Berkshire Hathaway, Inc., a Delaware corporation ("Berkshire"), or any Affiliate or Associate (as hereinafter defined) of Berkshire (Berkshire and such Affiliate and Associate being hereinafter referred to collectively as the "Berkshire Group"), in one or more transactions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of an aggregate of 20% or more of either (x) the then outstanding shares of common stock of the Corporation (the "Outstanding Company Common Stock") or (y) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Company

Voting Securities"); provided, however, that the following acquisitions shall not constitute a Trigger Event:

(A) any acquisition directly from the Corporation (excluding an acquisition by virtue of the exercise of a conversion privilege), provided that the Person acquiring such Outstanding Company Common Stock or Outstanding Company Voting Securities beneficially owns less than 5% of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such acquisition, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Affiliate of the Corporation or (D) any acquisition by any corporation pursuant to a transaction described in clauses (A), (B) and (C) of paragraph (iv) below; or

(ii) The acquisition by any one or more of the Berkshire Group, in one or more transactions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 30% (the "Prohibited Percentage") of either the Outstanding Company Common Stock or the Outstanding Company

Voting Securities, provided, however, that any such acquisition shall not constitute a Trigger Event if the Berkshire Group shall have attained the Prohibited Percentage (A) as the result of an acquisition of Outstanding Company Common Stock or Outstanding Company Voting Securities by the Corporation which, by reducing the number of shares outstanding, increases the proportionate number of shares owned by the Berkshire Group to the Prohibited Percentage or (B) with the consent of the Corporation's Board of Directors in accordance with an Agreement dated January 2, 1986 between the Corporation and Berkshire, provided however, that if the Berkshire Group shall become the beneficial owner of more than 30% of such securities pursuant to clauses (A) or (B) of this paragraph (ii), and shall thereafter acquire any additional Outstanding Company Common Stock or Outstanding Company Voting Securities other than pursuant to clause (B) of this paragraph (ii), then such acquisition shall constitute a Trigger Event; or

(iii) Individuals who constitute the Incumbent Board (as hereinafter defined) cease for any reason to constitute at least a majority of the Board of Directors of the

Corporation (the "Board"). "Incumbent Board" shall mean individuals who as of December 14, 1989, constitute the Board and any individual who becomes a director subsequent to December 14, 1989, whose election, or nomination for election by the Corporation's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

- (iv) Approval by the shareholders of the Corporation of a reorganization, merger or consolidation, in each case unless, following such reorganization, merger or consolidation, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock

and Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30%, of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of

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such corporation and (C) at least a majority of the members of the Board of Directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

- (v) Approval by the shareholders of the Corporation of (x) a complete liquidation or dissolution of the Corporation or (y) the sale or other disposition of all or substantially all of the assets of the Corporation, other than to a corporation with respect to which, following such sale or other disposition, (A) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other



disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Corporation.

For the purpose of this Section, the terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the

General Rules and Regulations under the Exchange Act, as in effect on December 14, 1989.

(b) For the purpose of this Plan, the "Trigger Event Fair Market Value" shall be the higher of (x) the highest reported sales price, regular way, of a share of Common Stock on the principal securities exchange on which the Common Stock is listed during the sixty (60) day period prior to the date of the occurrence of a Trigger Event and (y) if a Trigger Event occurs as the result of a transaction or series of transactions described in paragraphs (i), (ii), (iv) or (v) of the definition of "Trigger Event" set forth in this Section XVI, the highest price per share of Common Stock paid in such transaction or series of transactions (in the case of a Trigger Event described in paragraphs (i) or (ii) of such definition), as reflected in a Schedule 13D filed by the person having made the acquisition.

(c) Upon the occurrence of a Trigger Event, as defined in this Section XVI, the following provisions of this Section XVI shall apply and Sections VIII through X of this Plan shall not apply.

(d) All benefits represented by the Units in all Unit Accounts and the amounts credited to all Interest Accounts shall be completely nonforfeitable.

(e) The amount of benefits to which a Participant shall be entitled with respect to the Units in a particular Unit Account (and the related Interest Account) as to which the Determination Date occurred prior to the occurrence of the Trigger Event shall be the sum of

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him or his Designated Beneficiary(ies), as the case may be, in a single lump-sum distribution immediately after the occurrence of the Trigger Event.

(h) All benefits shall be paid in cash.

#### XVII. MISCELLANEOUS

(a) The adoption and maintenance of the Plan shall not be deemed to constitute a contract between a Participant and any member of the Affiliated Group. Nothing herein contained shall be deemed to give to any Participant the right to be retained in the employ of any member of the Affiliated Group or to interfere with its right to discharge any Participant at any time.

(b) No Participant shall have any of the rights or privileges of a shareholder of the Corporation with respect to any shares of Common Stock except with respect to shares of such Common Stock actually issued to him under this Plan.

(c) No trust shall be deemed created in favor of any Participant by the establishment of a Unit Account or an Interest Account and the Corporation shall have no obligation whatsoever to fund any of such Accounts. Participants' rights under this Agreement shall be solely those of unsecured contractual creditors.

(d) All questions pertaining to the Plan shall be determined under the laws of the State of New York.

EMPLOYEE STOCK OPTION PLAN  
OF  
CAPITAL CITIES/ABC, INC.

1. Purposes.

The purposes of this Employee Stock Option Plan (the "Plan") are to provide a greater community of interest between the Corporation's shareholders and its key employees, to facilitate the purchase by such employees of shares of stock in the Corporation, to encourage such employees to remain in the employ of the Corporation and to assist the Corporation in retaining the services of its key employees.

2. Stock to be Offered.

The shares that may be issued under the Plan shall not exceed 600,000 shares of the Corporation's common stock, \$1.00 par value ("Common Stock"), subject to adjustment under the provisions of Section 8. Such shares may be authorized but unissued shares or treasury shares, as the Board of Directors of the Corporation may from time to time determine. Shares reserved under an option which for any reason expires or is terminated, in whole or in part, shall again be available for the purposes of the Plan.

All previous reservations of shares of Common Stock for issuance pursuant to any employee stock option plan, to the extent not required for issuance upon the exercise of outstanding and unexercised options as of the date this Plan is adopted, are

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hereby terminated and cancelled.

3. Eligibility.

Options may be granted to any key employee (including officers) of the Corporation or of any of its subsidiary corporations (as that term is defined in Section 7).

4. Administration.

The Plan shall be administered by the Corporation's Compensation Committee (the "Committee"); provided, however, that the Board of Directors of the Corporation, in its discretion, may appoint another and different committee to administer the Plan; and provided, further, that any committee which administers the Plan (including the Compensation Committee) shall comprise at least three individuals all of whom, at the time of exercise of their discretion in administering the Plan, shall be ineligible, and at all times within one (1) year prior thereto shall have been ineligible, to participate in the Plan or in any other plan of the Corporation or any of its affiliates entitling the participants therein to acquire stock, stock options or stock appreciation rights of the Corporation or any of its affiliates.

The Committee, subject to the express provisions of the Plan, shall have authority, in its sole discretion, to determine the individuals who shall receive stock options, the kind of options to be granted, the times when options shall be granted and the number of shares to be subject to each option; to

determine the terms and provisions of option agreements (which need not be identical); to prescribe, amend and rescind rules and regulations relating to the Plan; to construe option agreements and the Plan; and to make all other determinations necessary and advisable for the proper administration of the Plan.

All decisions and determinations of the Committee shall be made by a majority of the Committee and shall be conclusive.

5. Form of Options.

Options granted under the Plan may be incentive stock options within the meaning of Section 422A(b) of the Internal Revenue Code ("Incentive Stock Options") or options which are not Incentive Stock Options ("Non-Qualified Options"), as the Committee shall determine.

6. Terms of Options.

The Committee shall determine the terms of each option, subject to the following:

(a) The option price must be at least one hundred (100%) percent of the fair market value of the Common Stock at the time the option is granted.

(b) An Incentive Stock Option may not be exercised more than ten (10) years from the date it is granted.

(c) A Non-Qualified Option may not be exercised more than eleven (11) years from the date it is granted.

(d) An option may not be transferred by an

optionee otherwise than by will or by the laws of descent and distribution, and may be exercised, during his lifetime, only by him.

(e) Each option shall be exercisable, commencing one year from the date it is granted, in cumulative annual portions at the rate of twenty-five (25%) percent of the total number of shares subject to such option.

(f) An option may be exercised within three (3) months after the date of an optionee's termination of employment (or within twelve (12) months after such date, if the optionee's termination of employment was on account of his death or his disability, within the meaning of Internal Revenue Code Section 22(e)(3)), but only to the extent the option is exercisable on such date. The provisions of this paragraph shall in no event operate to extend the term of any option beyond the time limit provided for in paragraph (b) of this Section.

(g) The exercise price of any option may be paid, at the optionee's election, either in cash or by his exchange of Common Stock previously held by him. Any shares of Common Stock so exchanged shall be valued at their then-current fair market value.

(h) All Incentive Stock Options, by their terms, shall comply with all the requirements of Section 422A(b) of the Internal Revenue Code.

7. Individual Limitations.

(a) An Incentive Stock Option may not be granted to any individual who owns (at the date of grant of the option) stock possessing more than ten (10%) percent of the total combined voting power of all classes of stock of his employer corporation or of any of its parent corporations or subsidiary corporations.

(b) The aggregate fair market value (determined at the time the option is granted) of the shares of Common Stock with respect to which Incentive Stock Options may be exercisable for the first time by any individual during any calendar year (under this Plan and all such plans of his employer corporation and its subsidiary corporations and parent corporations) shall not exceed One Hundred Thousand (\$100,000) Dollars.

(c) No Incentive Stock Option granted to an individual under this Plan prior to January 1, 1987 may be exercised while there is outstanding (within the meaning of Internal Revenue Code Section 422A(c)(7) prior to enactment of the Tax Reform Act of 1986) any incentive stock option (as defined in Internal Revenue Code Section 422A(b)) which was granted, before the granting of such option, to such individual to purchase stock in his employer corporation or in any corporation which (at the time of the granting of the option) is a parent corporation or a subsidiary corporation of his employer corporation, or in a predecessor corporation of any of such corporations.



- (d) For all purposes of the Plan
- (i) the term "parent corporation" shall be as defined in Internal Revenue Code Section 425(e); and
- (ii) the term "subsidiary corporation" shall be as defined in Internal Revenue Code Section 425(f).

8. Adjustments.

In the event that the outstanding shares of Common Stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Corporation or of another corporation, by reason of a recapitalization, reclassification, stock split-up, combination of shares, or dividend or other distribution payable in capital stock, the aggregate number of shares of Common Stock subject to this Plan, and the number of shares and the price per share of Common Stock subject to any outstanding options shall be appropriately adjusted by the Committee to reflect such event.

9. Amendment and Termination of Plan.

The Plan shall become effective on the date of its adoption by the Board of Directors and shall remain in effect for ten (10) years from that date, unless it is sooner terminated by the Board of Directors. The Board of Directors, in its discretion and at any time, may modify, amend or terminate the Plan; provided, however, that no modification or amendment may be

made, without the approval of the shareholders of the Corporation, which would increase the maximum aggregate number of shares which may be issued under the Plan, change the class of employees who are eligible for the grant of options, reduce the option price, extend the termination date of the Plan, or increase the period of time during which options may be exercised. Neither termination of the Plan, nor any modification or amendment thereof, shall adversely affect any rights under an option previously granted under the Plan without the consent of the optionee.

10. Miscellaneous.

(a) The date of the grant of any option shall be the date specified by the Committee in its determination or designation relating to the grant of such option. The grant of any option shall be subject to the execution by an optionee of a written option agreement in the form, and containing the terms, specified by the Committee.

(b) Nothing in this Plan or in any option granted hereunder shall be construed as conferring upon any employee any right to continue in the service of the Corporation or any of its subsidiary corporations.

(c) The grant of options under the Plan, the issuance and delivery of shares upon exercise of options, and all other matters, shall be subject to all laws, rules and regulations as may from time to time be applicable thereto.

(d) Subject to such rules and regulations as the Committee may establish, the holder of a Non-Qualified Option may irrevocably elect to satisfy any Federal, state or local income tax withholding obligation arising in connection with his exercise of such option by (i) requesting the Corporation to withhold shares of Common Stock otherwise deliverable to him upon such exercise and/or (ii) tendering to the Corporation shares of Common Stock previously held by him. Any such election must be made prior to the date the amount of tax to be withheld is to be determined (the "Tax Date") and shall be subject to the consent or disapproval of the Committee. Any shares of Common Stock so withheld or tendered shall be valued at their fair market value on the Tax Date. If the holder of the option is subject to the reporting requirements of Section 16a of the Securities Exchange Act of 1934 (the "Act"), any such election must be made either (i) during the "window period" beginning on the third business day following the date of the release of the Corporation's quarterly or annual summary statement of sales and earnings and ending on the twelfth business day following such date, or (ii) at least six (6) months prior to the Tax Date, and shall be subject to and in conformity with the provisions of Rule 16b-3 promulgated under the Act.

11. Approval of Shareholders.

This Plan is subject to the approval of the shareholders of the Corporation within one year of the date of its

adoption by the Board of Directors. If the Plan is not so approved, the Plan and any options granted hereunder shall be and become void.

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**1991 STOCK OPTION PLAN**  
**OF**  
**CAPITAL CITIES/ABC, INC.**

1. Purposes.

The purposes of the 1991 Stock Option Plan (the "Plan") of Capital Cities/ABC, Inc. (the "Corporation") are to provide a greater community of interest between the Corporation's shareholders and its key employees, to facilitate the purchase by such employees of shares of stock in the Corporation, to encourage such employees to remain in the employ of the Corporation and to assist the Corporation in retaining the services of its key employees.

2. Stock to be Offered.

The shares that may be issued under the Plan shall not exceed 500,000 shares of the Corporation's common stock, \$1.00 par value ("Common Stock"), subject to adjustment under the provisions of Section 8. Such shares may be authorized but unissued shares or treasury shares, as the Board of Directors of the Corporation (the "Board of Directors") may from time to time determine. Shares reserved under an option which for any reason expires or is terminated, in whole or in part, shall again be available for the purposes of the Plan.

All previous reservations of shares of Common Stock for issuance pursuant to the Corporation's Employee Stock Option Plan, to the extent not required for issuance upon the exercise

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of outstanding and unexercised options as of the date this Plan is adopted, are hereby terminated and cancelled.

3. Eligibility.

Options may be granted to any key employee (including officers) of the Corporation or of any of its subsidiary corporations (as that term is defined in Section 7).

4. Administration.

The Plan shall be administered by the Corporation's Compensation Committee (the "Committee"); provided, however, that the Board of Directors of the Corporation, in its discretion, may appoint another and different committee to administer the Plan.

The Committee, subject to the express provisions of the Plan, shall have authority, in its sole discretion, to determine the individuals who shall receive stock options, the kind of options to be granted, the times when options shall be granted and the number of shares to be subject to each option; to determine the provisions of option agreements (which need not be identical); to prescribe, amend and rescind rules and regulations relating to the Plan; to construe option agreements and the Plan; and to make all other determinations necessary and advisable for the proper administration of the Plan.

All decisions and determinations of the Committee shall be made by a majority of the Committee and shall be conclusive.

5. Form of Options.

Options granted under the Plan may be incentive stock options within the meaning of Section 422(b) of the Internal Revenue Code ("Incentive Stock Options") or options which are not Incentive Stock Options ("Non-Qualified Options"), as the Committee shall determine.

6. Provisions of Options.

The Committee shall determine the provisions of each option, subject to the following:

(a) The option price must be at least 100% of the fair market value of the Common Stock at the time the option is granted.

(b) The term of an Incentive Stock Option may not exceed 10 years from the date it is granted.

(c) The term of a Non-Qualified Option may not exceed 11 years from the date it is granted.

(d) An option may not be transferred by an optionee otherwise than by will or by the laws of descent and distribution, and may be exercised, during his lifetime, only by him.

(e) Except as otherwise provided under Section 10:

(i) No option shall be exercisable, in whole or in part, earlier than one year from the date it is granted.

(ii) (A) An option having a term of at least four years shall not be exercisable earlier than in cumulative annual portions at the rate of 25% of the total number of shares subject to such option; and

(B) An option having a term of less than four years shall not be exercisable earlier than in cumulative annual portions equal to the total number of shares subject to such option divided by the number of years of the term of such option.

(f) An option may be exercised within three months after the date of an optionee's termination of employment (or within 12 months after such date, if the optionee's termination of employment was on account of his death or his disability, within the meaning of Internal Revenue Code Section 22(e)(3)), but only to the extent the option is exercisable on such date. The provisions of this paragraph shall in no event operate to extend the term of any option beyond the time limit provided for in paragraph (b) of this Section.

(g) The exercise price of any option may be paid, at the optionee's election, either in cash or by his exchange of Common Stock previously held by him. Any shares of Common Stock so exchanged shall be valued at their fair market value on the date the option is exercised.

(h) All Incentive Stock Options, by their terms, shall comply with all the requirements of Section 422(b) of the Internal Revenue Code.



7. Individual Limitations.

(a) An Incentive Stock Option may not be granted to any individual who owns (at the date of grant of the option) stock possessing more than 10% of the total combined voting power of all classes of stock of his employer corporation or of any of its parent corporations or subsidiary corporations.

(b) The aggregate fair market value (determined at the time the option is granted) of the shares of Common Stock with respect to which Incentive Stock Options may be exercisable for the first time by any individual during any calendar year (under this Plan and all such plans of his employer corporation and its subsidiary corporations and parent corporations) shall not exceed \$100,000.

(c) For all purposes of the Plan

(i) the term "parent corporation" shall be as defined in Internal Revenue Code Section 425(e); and

(ii) the term "subsidiary corporation" shall be as defined in Internal Revenue Code Section 425(f).

8. Adjustments.

In the event that the outstanding shares of Common Stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Corporation or of another corporation, by reason of a merger,

recapitalization, reclassification, stock split-up, combination or exchange of shares, or dividend or other distribution payable in capital stock, the aggregate number of shares of Common Stock subject to this Plan and the number of shares and the price per share of Common Stock subject to any outstanding options shall be appropriately adjusted by the Committee to reflect such event.

9. Amendment and Termination of Plan.

The Plan shall become effective on the date of its adoption by the Board of Directors and shall remain effective for the grant of options until 10 years from that date (and for the subsequent exercise of such options), unless it is sooner terminated by the Board of Directors. The Board of Directors, in its discretion and at any time, may modify, amend or terminate the Plan; provided, however, that no modification or amendment may be made, without the approval of the shareholders of the Corporation, which would increase the maximum aggregate number of shares which may be issued under the Plan, change the class of employees who are eligible for the grant of options, reduce the option price, extend the termination date of the Plan, or increase the period of time during which options may be exercised. Neither termination of the Plan, nor any modification or amendment thereof, shall adversely affect any rights under an option previously granted under the Plan without the consent of the optionee.

10. Trigger Events

(a) For the purpose of this Plan, a "Trigger Event" shall mean

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), other than Berkshire Hathaway, Inc., a Delaware corporation ("Berkshire"), or any Affiliate or Associate (as hereinafter defined) of Berkshire (Berkshire and such Affiliate and Associate being hereinafter referred to collectively as the "Berkshire Group"), in one or more transactions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of an aggregate of 20% or more of either (x) the then outstanding shares of Common Stock (the "Outstanding Common Stock") or (y) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Trigger Event: (A) any acquisition directly from the Corporation (excluding an acquisition by virtue of the

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exercise of a conversion privilege), provided that the Person acquiring such Outstanding Common Stock or Outstanding Company Voting Securities beneficially owns less than 5% of the Outstanding Common Stock and the Outstanding Company Voting Securities immediately prior to such acquisition, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Affiliate of the Corporation or (D) any acquisition by any corporation pursuant to a transaction described in clauses (A), (B) and (C) of paragraph (iv) below; or

(ii) The acquisition by any one or more of the Berkshire Group, in one or more transactions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 30% (the "Prohibited Percentage") of either the Outstanding Common Stock or the Outstanding Company Voting Securities, provided, however, that any such acquisition shall not constitute a Trigger Event if the Berkshire Group shall have attained the Prohibited Percentage (A) as the result of an acquisition of Outstanding Common Stock or Outstanding Company Voting Securities by the Corporation which, by reducing

the number of shares outstanding, increases the proportionate number of shares owned by the Berkshire Group to the Prohibited Percentage or (B) with the consent of the Board of Directors in accordance with an Agreement dated January 2, 1986 between the Corporation and Berkshire, provided however, that if the Berkshire Group shall become the beneficial owner of more than 30% of such securities pursuant to clauses (A) or (B) of this paragraph (ii), and shall thereafter acquire any additional Outstanding Common Stock or Outstanding Company Voting Securities other than pursuant to clause (B) of this paragraph (ii), then such acquisition shall constitute a Trigger Event; or

(iii) Individuals who constitute the Incumbent Board (as hereinafter defined) cease for any reason to constitute at least a majority of the Board of Directors. "Incumbent Board" shall mean individuals who as of March 19, 1991, constitute the Board of Directors and any individual who becomes a director subsequent to March 19, 1991, whose election, or nomination for election by the Corporation's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the

Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors; or

(iv) Approval by the shareholders of the Corporation of a reorganization, merger or consolidation, in each case unless, following such reorganization, merger or consolidation, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in

substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation of the Outstanding Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30%, of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation and (C) at least a majority of the members of the Board of Directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(v) Approval by the shareholders of the Corporation of (x) a complete liquidation or dissolution of the Corporation or (y) the sale or other disposition of all or substantially all of

the assets of the Corporation, other than to a corporation with respect to which, following such sale or other disposition, (A) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation and the Berkshire Group) beneficially owns, directly or indirectly, 20% or more, and the Berkshire Group does not beneficially own, directly or indirectly, more than 30% of, respectively, the then outstanding shares of common stock of the corporation



resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Corporation.

For the purpose of this Section, the terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on March 19, 1991.

(b) Upon the occurrence of a Trigger Event, as defined in this Section 10, each and every option outstanding under the Plan which was granted more than 6 months prior thereto shall be exercisable in full.

11. Miscellaneous.

(a) The grant of any option shall be subject to the execution by an optionee of a written option agreement in the form, and containing the terms, specified by the Committee.

(b) Nothing in this Plan or in any option granted hereunder shall be construed as conferring upon any employee any right to continue in the service of the Corporation or any of its

subsidiary corporations.

(c) The grant of options under the Plan, the issuance and delivery of shares upon exercise of options, and all other matters, shall be subject to all laws, rules and regulations as may from time to time be applicable thereto.

(d) Subject to such rules and regulations as the Committee may establish, the holder of an option may irrevocably elect to satisfy any Federal, state or local tax withholding obligation arising in connection with his exercise of such option by (i) requesting the Corporation to withhold shares of Common Stock otherwise deliverable to him upon such exercise and/or (ii) tendering to the Corporation shares of Common Stock previously held by him. Any such election must be made prior to the date the amount of tax to be withheld is to be determined (the "Tax Date") and shall be subject to the consent or disapproval of the Committee. Any shares of Common Stock so withheld or tendered shall be valued at their fair market value on the Tax Date. If the holder of the option is subject to the reporting requirements of Section 16a of the Exchange Act, any such election must be made either (i) during the "window period" beginning on the third business day following the date of the release of the Corporation's quarterly or annual summary statement of sales and earnings and ending on the twelfth business day following such date, or (ii) at least 6 months prior to the Tax Date, and shall be subject to and in conformity with the provisions of Rule 16b-3 promulgated under the Exchange Act.

12. Approval of Shareholders.

This Plan is subject to the approval of the shareholders of the Corporation within one year of the date of its adoption by the Board of Directors. If the Plan is not so approved, the Plan and any options granted hereunder shall be and become void.

AGREEMENT made as of the 2nd day of January, 1968, between FAIRCHILD PUBLICATIONS, INC., a New York corporation (hereinafter called the "Company"), and JOHN B. FAIRCHILD of New York, New York (hereinafter called "Mr. Fairchild").

WHEREAS Mr. Fairchild has been employed by the Company since 1951 and has been an officer thereof since 1963; and

WHEREAS Mr. Fairchild has rendered and is now rendering invaluable services to the Company as Chief Executive; and

WHEREAS the Company recognizes that substantial inducements must be offered to Mr. Fairchild in order that the Company may continue to retain his services;

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

1. The Company hereby employs Mr. Fairchild and Mr. Fairchild hereby accepts employment as President and Chief Executive Officer of the Company to hold such office and to perform all such duties for the Company as the Board of Directors may authorize or direct consistent, however, with the dignity and scope of the office of Chief Executive. If at any time during the term hereof

Mr. Fairchild shall cease to be President or Chief Executive Officer of the Company he shall perform such services and duties of an executive character in an office of comparable dignity as shall be assigned to him by the Board of Directors. Mr. Fairchild shall serve the Company exclusively, faithfully, diligently and to the best of his ability and during the term of his employment, as provided in Section 2 of this Agreement, shall devote full time thereto (except for vacation periods).

2. The term of this Agreement shall be for ten years commencing January 2, 1968, and ending on December 31, 1977, automatically renewable annually thereafter unless terminated in writing by either Mr. Fairchild or the Company six months prior to December 31, 1977 or six months prior to any subsequent year.

In case of Mr. Fairchild's death or disability prior to the termination of this Agreement, the term of this Agreement will thereupon automatically terminate but the Company agrees nevertheless to pay the sums provided in Section 3-B of this Agreement.

"Disability" as used in this Agreement shall mean any serious illness or mental or physical condition which renders Mr. Fairchild incapable of performing his duties as required under Section 1 hereof.

3. The Company shall pay to Mr. Fairchild as full compensation for his services hereunder:

A. A salary to be fixed by the Company's Board of Directors but in no event less than Ninety Thousand Dollars (\$90,000) per annum in equal installments every two weeks.

B. In the event of termination of this Agreement by the Company for whatever cause other than for a substantial breach of this Agreement by Mr. Fairchild or in the event of Mr. Fairchild's death or disability, the Company, subject to compliance by Mr. Fairchild with the provisions of Section 4 of this Agreement, shall pay to Mr. Fairchild or his widow or if he leaves no widow surviving to his issue in equal shares, the children of any deceased child or grandchild to take the shares that his parent would have taken, annually for fifteen (15) years thereafter, a sum equivalent to one-half of his salary at the rate in effect upon the happening of said event in equal installments every two weeks.

C. In the event of Mr. Fairchild's death, the Company shall pay to his widow or if he leaves no widow surviving to his issue in equal shares, the children of any deceased child or

grandchild to take the share that his parent would have taken, an additional sum totaling Five Thousand Dollars (\$5,000).

4. For a period of ten (10) years after termination of this Agreement, Mr. Fairchild shall not, directly or indirectly, engage or be interested in an active or consulting capacity within the United States of America, in the management of a trade paper, magazine or directory, or a company publishing any of the foregoing, relating to any trade, business or industry in which the Company is also publishing or distributing a trade paper, magazine or directory; provided, however, that at any time Mr. Fairchild is entitled to receive compensation under Section 3-B hereof he may, if he so elects, become so engaged or interested but in that event his compensation provided for in Section 3-B hereof shall be suspended during the period he is so engaged or interested. Upon his ceasing to become so engaged or interested, Mr. Fairchild's right to compensation under Section 3-B hereof shall revive and the Company shall resume and continue to make the payments therein provided for the remainder of the 15-year period.

Mr. Fairchild agrees that upon the termination of this Agreement and from time to time thereafter as

the Company may reasonably require and in so far as his health may permit, he will hold himself available for consultation and advice with the Company and its representatives in connection with its business until his sixty-sixth birthday, provided, however, that Mr. Fairchild shall not be required without his consent to hold himself available for such purpose other than at the then place of his office or residence for a total of twenty-four (24) days during the twelve-month period commencing with the month in which said termination occurs or any succeeding twelve-month period.

5. Nothing herein contained in this Agreement shall affect Mr. Fairchild's rights or his widow's rights to participate in the FAIRCHILD PUBLICATIONS UNIFORM EMPLOYEES RETIREMENT AND BENEFIT PLAN or any group, health or accident insurance or other employees' benefit or stock option plans which may now be in force or which may hereafter be adopted by the Company for its employees.

Nothing contained in this Agreement shall affect Mr. Fairchild's right to any expense allowance now or hereafter approved by the Company's Board of Directors.

6. In the event of any consolidation or merger of the Company into or with another corporation or the sale of all or substantially all of the assets of the Company to another corporation, such corporation shall assume this Agreement and become obligated to perform all



of the terms and conditions hereof and Mr. Fairchild's obligations hereunder shall continue in favor of such corporation.

7. Any notice to be given to the Company hereunder shall be deemed sufficient if addressed to the Company in writing and delivered or mailed to its office, 7 East 12th Street, New York, N. Y. 10003, or such other address as the Company may hereafter designate.

Any notice to be given to Mr. Fairchild hereunder shall be deemed sufficient if addressed to Mr. Fairchild in writing and delivered or mailed to him at 7 East 12th Street, New York, N. Y. 10003 or such other address as Mr. Fairchild may hereafter designate.

The letter agreement dated November 6, 1962, between the Company and Mr. Fairchild shall be and hereby is terminated and cancelled and Mr. Fairchild agrees that neither he nor his widow nor his estate now has or shall in the future have any rights thereunder.

8. This Agreement shall be binding upon any successor or successors of the Company and reference herein to the Company shall be deemed to include any successor or successors of the Company.

9. This Agreement shall be binding upon and inure to the benefit of Mr. Fairchild, his legal representatives and assigns.

IN WITNESS WHEREOF, the parties have duly  
executed this Agreement under seal in duplicate as of  
the day and year first above written.

FAIRCHILD PUBLICATIONS, INC.

[Corporate Seal]

By Edgar W. B. Fairchild  
Chairman of the Board

ATTEST:

Wm. M. Fairchild  
Secretary

J. B. Fairchild [L.S.]  
John B. Fairchild.

Wm. M. Fairchild  
Witness

AGREEMENT, made the                      day of June, 1977,  
between CAPITAL CITIES MEDIA, INC., as successor to  
FAIRCHILD PUBLICATIONS, INC., a New York corporation  
(hereinafter called the "Company") and JOHN B. FAIRCHILD,  
of New York, New York (hereinafter called "Mr. Fairchild").

WHEREAS, the parties heretofore and on the 2nd day  
of January, 1968, entered into an agreement providing for  
Mr. Fairchild's employment and for certain rights and obliga-  
tions of the parties surviving the term of his employment  
(the "Agreement"); and

WHEREAS, Mr. Fairchild has been continuously employed  
by the Company and its predecessor organization above named  
since that date, and has faithfully and effectively executed  
his duties; and

WHEREAS, the Company and Mr. Fairchild desire to con-  
tinue Mr. Fairchild's relationship with the Company on the  
terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of mutual acts and  
promises of the parties, they hereby agree as follows:

1. The term of the Agreement is hereby extended to  
July 1, 1978, subject to the modifications hereinafter provided.
2. For the year commencing July 1, 1977, Mr. Fairchild  
is hereby employed and agrees to render his services as hereto-  
fore and perform such other duties as the Board of Directors

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may authorize and direct consistent with his executive status, exclusively, faithfully and to the best of his ability, devoting his full time thereto (except for vacation periods) for a salary computed at the rate of \$157,500 per annum, payable in equal installments every two weeks.

3. This alteration of the Agreement by mutual consent shall have the effect, for purposes of paragraph 3-B of the Agreement, of a termination by the Company thereunder, subject to compliance by Mr. Fairchild with the provisions of paragraph 4 of the Agreement as hereby amended. The Company shall make payment in accordance with the terms of said paragraph at the rate of \$45,000 per year, but only for a term of 14 years and 3 months, commencing October 1, 1983, unless Mr. Fairchild shall die or become totally disabled prior thereto, in which event payment shall commence for a like term on the 1st day of the month succeeding such occurrence. In addition thereto and provided that payments hereunder are not made prior to October 1, 1983, there shall be paid to Mr. Fairchild on that date the sum of \$33,750.

4. Paragraph 4 of the Agreement is hereby revised as follows:

(a) The term "this Agreement" in the first sentence of the first subparagraph and the first sentence

of the second subparagraph is deleted and the words "Mr. Fairchild's employment by the Company" are substituted therefor.

(b) The words "15 year period" in the last sentence of the paragraph are revised to read "period of 14 years 3 months."

5. Mr. Fairchild, for himself, his heirs and legal representatives, warrants and guarantees that neither he nor his estate, nor his widow, nor his children, nor his grandchildren; shall have any claim to payments of any monies under paragraph 3-B of the Agreement, except as hereby modified.

6. Except as hereby specifically amended, the Agreement between the parties is ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

CAPITAL CITIES MEDIA, INC.

By: Daniel B Burke

J. B. Fairchild  
John B. Fairchild

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Capital Cities/ABC, Inc. Retirement Plan for Nonemployee Directors

Adopted at the Board of Directors meeting

March 20, 1990

RESOLVED, that directors who retire after March 20, 1990 after having completed five years of service on the Board of Directors of the Corporation, including service on the Board of Directors of American Broadcasting Companies, Inc. ("Eligible Directors"), shall receive an annual retirement benefit equal to the greater of the cash amount of the annual retainer now in effect or that which may be in effect at the time of their retirement, for the number of years and any part thereof they served on the Board; provided, however, that no director who has received or is eligible to receive a benefit from any other retirement, pension, profit sharing or similar plan of the Corporation or any of its subsidiaries shall be eligible to receive benefits under this Retirement Plan for Nonemployee Directors (the "Plan"); and it is further

RESOLVED, that, if an Eligible Director dies before receiving the number of annual retirement benefit payments to which the Eligible Director is entitled under the Plan, the surviving spouse of that director shall receive the number of annual retirement benefit payments that would result in the total number of annual payments received by the director and spouse equalling the number of years or part thereof the director served on the Board; provided that all such payments shall cease upon the death of the surviving spouse; and it is further

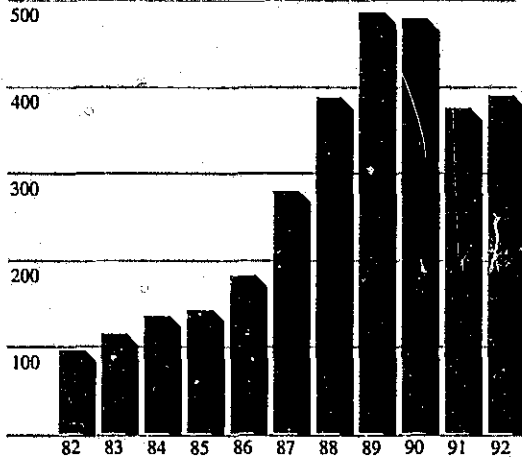
RESOLVED, that in the event a director's service on the Board is terminated by reason of death, disability, resignation, retirement or otherwise before he has become an Eligible Director, the Board in its discretion may approve payment of any retirement benefits which would otherwise have been available under the Plan; determination by the Board on all matters relating to the interpretation and administration of the Plan shall be final.

Operating Highlights

	1992	1991
Net revenues	\$5,344,127,000	\$5,381,989,000
Operating income	\$ 721,805,000	\$ 761,233,000
Income before cumulative effect of accounting changes and extraordinary charge	\$ 389,328,000	\$ 374,696,000
Income per share before cumulative effect of accounting changes and extraordinary charge	\$23.45	\$22.33
Average shares outstanding	16,600,000	16,780,000

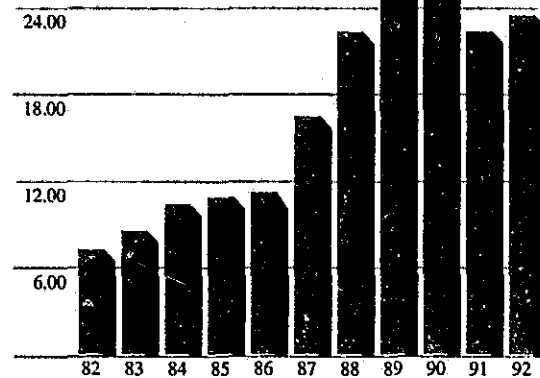
Income Before Cumulative Effect of Accounting Changes and Extraordinary Items

\$ Millions



Income Per Share Before Cumulative Effect of Accounting Changes and Extraordinary Items

\$30.00



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## To Our Shareholders

Capital Cities/ABC ended 1992 in strong financial condition with our operations positioned to perform well in a more robust economy. Despite the continuing effect of the recession, 1992 was a year of significant progress in the Company's efforts to own and produce more programming, a direction we believe is key to our ability to grow. We also accelerated our efforts to seek and invest in new business opportunities, both domestic and international.

Income per share before the cumulative effect of accounting changes in 1992 and an extraordinary charge in 1991 grew 5 percent over the prior year. Much of the gain came from lower net interest expense and from a net nonrecurring gain on the disposition of certain assets. Operating income declined by 5 percent on slightly lower revenues. The Company responded by carefully controlling costs and by marketing aggressively.

A summary of the Company's results for 1992 compared with 1991 follows:

(Dollars in millions)	1992	1991	Percent change
Net revenues	\$5,344.1	\$5,382.0	(1)%
Operating costs	4,464.6	4,462.5	—
Depreciation	95.7	96.0	—
Amortization	62.0	62.3	—
Total costs	4,622.3	4,620.8	—
Operating income	721.8	761.2	(5)%
Interest/other, net	(35.9)	(99.0)	64%
Income before taxes	685.9	662.2	4%
Income taxes	(296.6)	(287.5)	3%
Net income*	\$ 389.3	\$ 374.7	4%
Income per share*	\$23.45	\$22.33	5%
Average shares (000)	16,600	16,780	(1)%

\*Before 1992 cumulative effect of accounting changes and 1991 extraordinary charge.

Net earnings per share for 1992 included two significant noncash charges which are newly required by the Financial Accounting Standards Board. An after-tax charge of \$54,817,000, or \$3.30 per share, recognized accumulated postretirement benefit

obligations. An additional noncash charge of \$88,418,000, or \$5.33 per share, was the result of a change in the method of accounting for deferred income taxes. Neither accounting change will have a material effect on subsequent results. Net income in 1992 and 1991 also included after-tax charges of \$3.53 and \$3.71 per share, respectively, for amortization of intangible assets.

The Company's 1992 operating results included the funding of \$57,000,000 of pre-tax losses for both domestic start-ups and international media ventures compared with \$47,000,000 in 1991. These investments are critically important to the Company's future since our core businesses are relatively mature and face significant regulatory, technological and marketplace challenges. Our goal in these new ventures, some in partnership with other media companies, is to add new growth opportunities to the fine businesses we presently operate, and to enter new fields where we can expect to operate effectively.

We believe that our most important future opportunity lies in expanded television program production and ownership. When successful, programs we produce and own will generate meaningful profits from ancillary markets, especially in domestic and foreign syndication. Many parts of the Company are now involved, as they must be, in the drive to produce and own more television programming:

- ABC Productions, created in 1989, has increased in-house production from two hours in its first year to a projected 93 hours in the 1992-93 season, with programming sold to the ABC Television Network as well as to other television and cable networks.
- ABC Entertainment has established partnerships with some of the best of the industry's creative talent, including most recently with Matt Williams, creator of the hits *Home Improvement* and *Roseanne*.
- ABC News currently produces two very successful prime-time news programs,



20/20 and PrimeTime Live; during 1993, it plans to introduce two more one-hour magazine shows for the ABC Television Network.

- ESPN announced early in 1993 that it will launch a second sports channel, ESPN 2, in the fall of this year.
- The Publishing Group created a video publishing unit in late 1992 to centralize the Company's growing participation in the \$11,000,000,000 home video marketplace.

While we hope for eventual strong returns, efforts to increase program production and ownership and investment in other new business activities are not risk-free. It has been difficult to endure these development losses in the poor economic environment that has prevailed for the last 30 months, but the Company's balance sheet and free cash generation are clearly strong enough to allow selective investments in such new business opportunities.

Free cash flow (net income plus depreciation and amortization, less capital spending), was approximately \$430,000,000 in 1992, and we are hopeful that 1993 results will see the Company start to climb back to pre-recession levels. Over the past five years, the Company's cumulative free cash flow was \$2,200,000,000.

At the end of 1992, the Company's cash balances exceeded its total outstanding debt. The Company made effective use of its solid cash position in 1992. We continued our share repurchase program by acquiring 271,540 shares at an average cost per share of \$434. This was 8.2 times 1992 operating cash flow (operating income before depreciation and amortization) per share, and still was generally less costly than the asking prices for media properties which we would consider attractive. Since 1988, the Company has spent \$886,000,000 to repurchase 1,953,000 shares, reducing its shares then outstanding by 11 percent. In 1992, the Company also reduced net interest expense by \$28,500,000 by retiring approximately \$735,000,000 of net

long-term debt over the last two years. The average interest rate on our outstanding long-term debt declined to 8.7 percent, with an average maturity of just under 17 years. Total debt at year-end 1992 represented 21 percent of total capital, down from 29 percent in 1991 and from 51 percent at the time of the Capital Cities and ABC merger in 1986.

While overall television network advertising reportedly grew faster than the inflation rate in 1992, that growth is somewhat deceiving for two reasons. First, 1991 was a depressed year. Second, the Summer and Winter Olympics contributed significantly to the 1992 television network marketplace (we did not participate at all in this component). Political spending in the presidential election year also contributed to network revenues; together, Olympic and political advertising represented virtually all of the industry's growth. Underlying pricing gains in 1992 were, at best, modest for us as well as for most other media companies.

Revenues and profits at the ABC Television Network declined in 1992. The revenue shortfall was not entirely unanticipated since in 1992, ABC Sports did not have NFL postseason coverage, while in 1991, it broadcast four playoff games and Super Bowl XXV. Additionally, during the 1991-92 upfront selling season, network pricing was down from prior year levels, especially for prime time. Furthermore, it appears that Olympic advertising dollars came more from existing budgets than in prior years, and thus added considerably less incremental spending to the total market.

As had been the case in 1991, pricing in the scatter market was under pressure for most of the year. So far in early 1993, advertiser demand for network television time has improved slightly. If this improvement is sustained, the network stands to increase revenues from competitive ratings improvements achieved during the second half of 1992, especially in young adult viewer categories. In prime time, ABC finished the 1991-92 season as the top-rated network with

adults 18-49. The three sweeps periods — November, February and May — are very important to our owned and affiliated television stations so these periods are intensely competitive in terms of programming. In the November 1992 sweeps, ABC finished first in household ratings and young adults for the first time since 1978. Monday-Friday Daytime ended the year as the number one network daypart for women 18-49 and 25-54, and reported improved operating profit for the first time in several years.

ABC News distinguished itself during 1992. *World News Tonight* with Peter Jennings remained the most-watched evening news program by a wide margin. *20/20* was more popular than at any time since it premiered in 1978, ranking among the top 20 programs during the fourth quarter, and *PrimeTime Live* consistently won its time period in 1992. Convention and election night coverage by ABC attracted more viewers and had better demographics than any other network. ABC Sports' broadcasts of NFL *Monday Night Football* and college football were among the top-rated sports presentations of the year. *Good Morning America* was the most popular early morning program for the third consecutive year.

The Broadcast Group recorded a 3 percent revenue increase and slightly lower profits in 1992. Revenues at the owned television stations were just above 1991 levels, and profits were down slightly. Each of the eight stations ranked number one in its market and will surely be able to capitalize on improved advertising spending when it materializes. Despite a gain in audience share, ABC Radio Networks' revenues dropped substantially in 1992, and the division's profits fell accordingly, as the total radio network industry experienced a difficult year. The radio station group reduced operating expenses in a soft advertising marketplace and thereby achieved a 12 percent increase in operating profits. The group sold its Denver stations in 1993 and is under contract to sell its Providence stations. Under liberalized radio station ownership rules, the radio group now has the ability to

acquire additional outlets in markets where we already own and operate stations.

Video Enterprises, which participates in several of the media industry's fastest growing segments, had another good year in 1992. ESPN, 80-percent owned by the Company, achieved record operating profits despite suffering sizeable operating losses on its coverage of Major League Baseball. In 1992, ESPN exercised an option to cancel its right to telecast baseball after the conclusion of the 1993 season. The Arts & Entertainment and Lifetime cable networks, each one-third owned, also had excellent years.

The Company remains optimistic about its international investments. Our partnerships in Germany, France, Spain and Japan made progress. In the second quarter of 1992, the Company sold its minority interest in Tele-5, a German television network, because of strategic differences with our partners. The European Sports Network, a pan-European sports programming service, 50-percent owned by ESPN, announced in January a merger with Eurosport, its principal competitor. The newly combined service, one-third owned by ESPN, started operations in the first quarter of 1993. We now anticipate profitability within a reasonable time period.

The Publishing Group recorded a 3 percent revenue gain and an 11 percent profit increase in 1992, resulting in its best operating performance since 1987. Daily newspapers and shopping guides showed strong profit increases. Specialized magazine profits rebounded nicely in 1992 due to improved business conditions, strong cost controls and consolidation efforts of the past few years.

While we feel that the Company has managed aggressively and effectively during this lengthy recession, we are fully aware that significant regulatory and marketplace changes promise to make our future more challenging. A number of new and complex technologies are certain to impact our operations. Some regulatory modifications now under consideration will present

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opportunities for us, especially by expanding our ability to produce more programming ourselves and increasing our ability to invest in programming produced by others. Cross-ownership restrictions and other limits on television and radio station ownership may well be relaxed further in the years ahead.

The Company has never entered a period which is so certain to bring change. Our basic assumptions about competition, distribution and the importance of our franchises are under constant assessment. We know we must ensure that our cost structure and our organization retain flexibility to respond to change. The Company must devote at least as much attention to enhancing business and revenue growth as it has historically given to managing costs. Modifications in the way we do business will assuredly be necessary.

Many of our operations are already in pursuit of new growth opportunities. We have suggested some important initiatives above. In addition, for example, the ABC Television Network has packaged different programming dayparts to better serve national brand advertisers and is working with small growth companies, new to the marketplace, that need network exposure to drive sales or launch products. The National Television Sales unit, which serves the owned television stations, coordinated a \$50,000,000 cross-media package among the television, cable and radio networks, and the television and radio stations. Video Enterprises and ABC Sports experimented with several pay-per-view events in 1992, and the daily newspapers have steadily acquired additional properties, particularly weeklies in their regions, to strengthen their franchises and to better serve advertisers.

In 1992, equal employment and advancement opportunities for all qualified individuals continued to be a top corporate commitment. At year-end, 21 percent of the Company's employees were minorities, and 45 percent were female. Our goal is to increase both representations throughout the Company. As part of its ongoing public affairs commitments during 1992, Capital Cities/ABC contributed

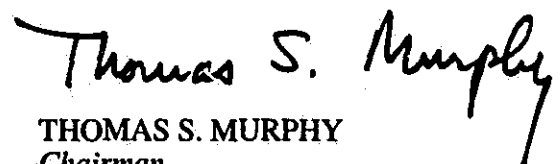
\$34,000,000 in television, radio and print advertising to the Partnership For A Drug-Free America. The Partnership's campaign to deglamorize drugs continues to make demonstrable progress. Project Learning US (PLUS), another corporate-wide effort, made similar progress in attacking illiteracy and encouraging learning. A brochure, *The Capital Cities/ABC Commitment*, which contains more information about these efforts may be obtained by writing to the Corporate Affairs Department at our corporate office in New York City.

Among a number of important management changes in 1992 and early 1993, Robert A. Iger was promoted to Senior Vice President and President, ABC Television Network Group, and David L. Westin, the Company's General Counsel, was promoted to Senior Vice President. Also, upon his retirement from the Board, we would like to acknowledge and thank William I. Spencer for more than 12 years of dedicated service, first as a director of Capital Cities Communications and then for the last seven years, as a director of Capital Cities/ABC.

The years ahead will be challenging but very promising. We are optimistic that Capital Cities/ABC's strong franchises, personnel and financial resources will enable the Company to be an effective and successful competitor. We thank our employees for their contributions, and we thank our shareholders for their continuing interest.



DANIEL B. BURKE  
*President and  
Chief Executive Officer*



THOMAS S. MURPHY  
*Chairman*

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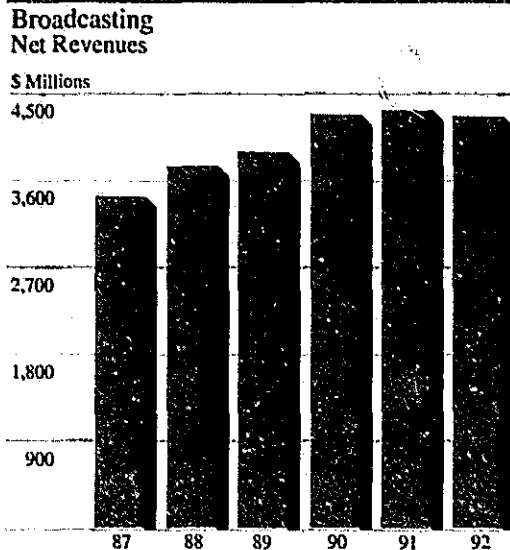
## Broadcasting

The Company's broadcasting operations, which consist of the ABC Television Network Group and the Broadcast Group, had 1992 net revenues of \$4,265,600,000, a decline of 1 percent, or \$64,100,000, from 1991. Operating earnings of \$619,300,000 in 1992 decreased \$50,400,000, or 8 percent, from the prior year. Broadcasting's 1992 and 1991 results are summarized as follows:

<i>(Dollars in millions)</i>	1992	1991
Net revenues	\$4,265.6	\$4,329.7
Operating costs	3,523.2	3,537.7
Depreciation	76.4	75.9
Amortization	46.7	46.4
Total costs	3,646.3	3,660.0
Operating income	\$ 619.3	\$ 669.7

### ABC Television Network Group

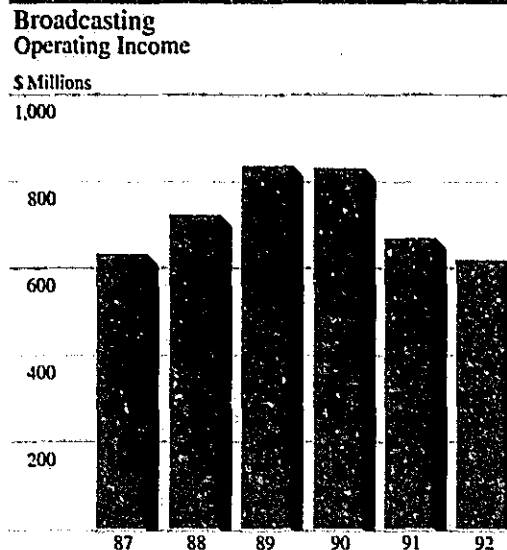
The ABC Television Network's 1992 operating plan accurately predicted that national advertising would remain sluggish during the year and that high-priced Olympic advertising on other networks would put added pressure on unit pricing. While the network sold its advertising availabilities very aggressively and held its cost increases down, both revenues and profits declined. For 1992, net revenues fell approximately 5 percent to \$2,510,000,000, while operating costs declined 4 percent. As a result,



operating income dropped to \$92,000,000 in 1992, from \$120,000,000 in 1991.

Several significant nonrecurring items influenced results in both 1991 and 1992. In 1991, ABC Sports broadcast four NFL post-season playoff games and Super Bowl XXV, adding approximately \$80,000,000 in net revenues. Rights costs and production expenses for those games somewhat exceeded revenues. There was no postseason NFL coverage in 1992. ABC News costs were adversely affected by the Persian Gulf conflict in 1991 and by presidential election coverage and the start-up of new shows in 1992. For the network as a whole, both 1992 and 1991 included substantial provisions for staff reductions. If these nonrecurring and unusual items are eliminated in both years, overall network costs in 1992 were flat with 1991, as the network responded resourcefully to the soft advertising marketplace.

In prior quadrennial cycles, the Presidential elections and Olympic Games have historically produced strong revenue gains for the networks. While the network television marketplace grew by approximately 7 percent in 1992, this growth was not as strong as it appears, as overall network television advertising had declined by almost 5 percent in 1991. Net revenues for 1992 were only slightly more than 2 percent higher than those for 1990. There is also no evidence that total



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Olympic advertising of over \$700,000,000 or political advertising of \$50,000,000 had the same impact as in prior cycles of limiting inventory for brand advertising and of improving unit pricing. One explanation is that the amount of national commercial inventory has increased dramatically since the last Olympiad due to the growth of cable television networks and the expansion of the Fox Television Network. In effect, higher-priced Olympic advertising combined with political ads represented virtually all of the marketplace growth in 1992. Network unit prices in the 1991-92 upfront selling season were lower than in the previous year's upfront, and scatter pricing was also soft.

Audience trends for the networks were better in 1992, although accelerating technological changes are bound to further affect network viewing over the longer term. For the 1991-92 season, combined network audience delivery was up for the first time since the 1975-76 season. Homes using television also increased 1 percent. Aggregate basic cable ratings increased 5 percent during 1991-92, a considerably slower rate of growth than in previous seasons; pay television ratings declined 15 percent.

ABC had lower household ratings in prime time for the 30-week 1991-92 season, but finished first among young adults 18-49. At the start of the 1992-93 season, ABC improved its prime-time ranking and won the November sweeps for the first time since 1978. The network's strongest performances among key adult demographics were on Tuesday and Friday nights, although during the sweeps the network won five of the seven nights. On Tuesday night, *Roseanne*, *Coach* and *Home Improvement* were all top-ten shows during the 1991-92 season. *Home Improvement* and *Coach* were moved to Wednesdays and are largely responsible for improved ratings on that night. *Full House*, the network's lead-in show on Tuesdays, was among the top 20 most-watched programs. ABC's Friday night comedy block from 8 to 10 pm contributed heavily to the network's popularity with young adults. ABC News'

two prime-time magazine shows, *20/20* and *PrimeTime Live*, are growing franchises that each had their most successful year ever.

ABC Daytime's delivery of women 18-49 has always been strong, and in 1992 the network finished first in this key demographic. More importantly, the daypart reported improved operating profits for the first time in several years. Revenues were up modestly, and operating costs were essentially flat with 1991. *All My Children* was the top-rated serial drama among young women during 1992, and *One Life To Live* and *General Hospital* tied for third in the fourth quarter of the year. Saturday morning children's programming experienced a significant ratings decline during 1992 across all networks with ABC finishing second among children 2-11. For the fifth consecutive year, *Good Morning America* was the top-rated early morning program among women 18-49.

1992 was a year of distinction for ABC News. *World News Tonight* with Peter Jennings was the most-watched evening news program among all major demographic groups and was especially strong among adults 25-54. *PrimeTime Live* increased its ratings by 25 percent in the fourth quarter of 1992, and *20/20* was the 17th highest rated show in prime time during the same period. *Nightline* was a strong competitor in late night, finishing first in household ratings for five weeks in the fourth quarter. This ratings gain came despite disappointing live clearance levels. The division's coverage of the presidential campaign, conventions, debates and election night provided intelligent and top-rated analysis of the key issues. Worldwide Television News, the 80-percent owned international news gathering agency, continued to be an important contributor to the division's international event coverage. Also in 1992, ABC News began the development of two more prime-time news programs scheduled to premier in 1993.

ABC Sports made progress in 1992. NFL *Monday Night Football* was among the ten most-watched programs in the fall. College

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football coverage was highlighted by Alabama's victory over Miami for the national championship in the Sugar Bowl. The division won five Emmys, including one for the *Wide World of Sports 30th Anniversary Special*. In a soft sports advertising marketplace, ABC Sports managed to reduce its 1991 operating loss by more than half.

Business conditions for advertiser-supported media show some signs of improvement so far in 1993. The ABC Television Network is positioned well to participate in an economic upturn. Its ratings are competitive, and costs have been vigorously controlled. To maintain its current strong position through the 1990's, however, the network will have to anticipate the impact of sweeping regulatory and technological changes on its traditional business. These changes are already underway and some regulatory aspects promise to be favorable. For example, limitations on network rights to produce in-house programming have been relaxed. Networks, however, are still restricted in their ability to take financial interests in programs produced by others. We remain hopeful that these limitations will be modified or eliminated. We recognize that technological changes will be even more dramatic. The development of High Definition Television and digital compression, delivery and storage will alter traditional media distribution and consumption patterns.

The ABC Television Network is committed to adjust to these changes by seeking new business opportunities. ABC Productions (ABCP) is one of the most important undertakings at the network. Internally-produced programming has grown from two hours in 1989-90 to 93 hours projected for 1992-93. Most, but not all, of this programming is produced for the ABC Television Network; in 1992, ABCP also produced shows for the Fox Television Network and for cable networks as well. If successful, these programs will contribute incremental revenues and profits largely from

syndication in domestic and foreign markets. ABC's 1992-93 schedule included *The Commish*, *Camp Wilder*, *Jack's Place* and *Sirens* from ABCP. *Class of '96*, currently on the Fox Television Network, is also produced by ABCP. Included in 1992-93 production plans are six made-for-television movies and one mini-series. ABCP is anticipating another active development season in 1993.

There are initiatives in place in other parts of the network as well. In 1992, ABC Entertainment entered into a partnership with Matt Williams, creator of *Home Improvement* and *Roseanne*. As mentioned earlier, ABC News hopes to expand to four prime-time hours of programming by the fall of 1993. *Good Morning America* added a Sunday edition in January 1993. ABC/Kane Productions continued to produce episodes of its prime-time *World of Discovery* series for the 1992-93 season. The network's goal is to seek additional program ownership across all dayparts.

A number of important management changes were announced in 1992 and early 1993. Robert A. Iger was promoted to President, ABC Television Network Group, replacing John B. Sias, who retired from that position but remains active with the Company. Ted Harbert was promoted to President, ABC Entertainment. Preston A. Davis was promoted to President, Broadcast Operations and Engineering, succeeding Robert Siegenthaler who retired after a distinguished 32-year career with ABC. Also, Paul Friedman was promoted to Executive Vice President, ABC News, and Alan H. Wurtzel and Robert J. Murphy were named Senior Vice Presidents of ABC News.

In 1992, the network received over 200 awards, including 40 Emmys. *Nightline's* coverage of the Los Angeles riots won an Alfred I. duPont-Columbia University Journalism Award. ABC News' *Pearl Harbor: Two Hours That Changed The World* won the George Foster Peabody Award.

## Broadcast Group

The Broadcast Group achieved record revenues for the seventh consecutive year since the merger of Capital Cities and ABC. Net revenues for the group reached \$1,823,000,000, exceeding 1991 by approximately 3 percent. While the margin of improvement in revenue for the year was higher than 1991's slight increase, it was not sufficient to prevent the group from showing a profit decline for the second successive year.

Because most of our operating franchises are in excellent competitive condition, the impact of a fragile economy on our performance was not as damaging as it might have been; however, the continuation of the recession limited our ability to translate strong competitive advantage to profit improvement.

Each of the Broadcast Group's operating divisions coped with the year's economic and competitive realities as well as possible. Our television stations maintained their audience leadership in all eight markets, but showed a slight profit decline. Profits increased at our radio stations after a very difficult year in 1991. The ABC Radio Networks, after avoiding the recessionary trend in 1991, saw 1992 profits recede to 1987 levels. Video Enterprises, on the other hand, had another fine year and achieved both revenue and profit increases.

## Television Stations

Revenues at our eight owned television stations marginally exceeded 1991 levels and did so largely on the strength of political advertising. Absent such advertising, revenues at the stations would have declined for the second consecutive year. On the positive side, the stations produced revenue increases for the last three quarters of the year,

offsetting a down first quarter which suffered from the absence of a Super Bowl broadcast the year before.

Costs continue to increase, especially for popular syndicated programming. Since our operating expenses in 1992 grew at a faster rate than revenues, costs continue to be closely scrutinized.

In terms of audience appeal, our television stations continued to outperform their competition by most criteria and again ended the year as the stations of preference, from sign-on to sign-off, in each of their markets. With a big assist from an improved ABC Television Network prime-time schedule, the ratings results compiled during the November sweeps period produced the best overall audience numbers achieved by our stations since the Capital Cities and ABC merger. We were particularly pleased with the improved competitive positions of our Los Angeles and San Francisco television stations.

The state of our franchises greatly increases the prospect of improved revenues from an expanding economy, but our advertisers do have more options every year. The increased popularity of independent stations, the Fox Television Network, the continued growth of basic cable channels, barter, unwired networks and the proclivity of some broadcasters to increase inventory in soft markets, may continue to limit the rate of growth for our stations.

Local news excellence at each of our stations plays a vital role in their success. Local news programming was expanded at several stations in the early morning and at the noon hour. Our local news efforts have so closely bound our stations to their communities that most often they have become the stations of record in times of heightened public interest in local events.

The following table reflects how each station's principal news programs performed during the November 1992 survey period:

Station and Market	Market rank	News program rank	
		Early evening	Late evening
WABC-TV (New York)	1	1	1
KABC-TV (Los Angeles)	2	1	1
WLS-TV (Chicago)	3	1	1
WPVI-TV (Philadelphia)	4	1	1
KGO-TV (San Francisco)	5	1	1
KTRK-TV (Houston)	11	1	1
WTVD (Durham-Raleigh)	32	1	1
KFSN-TV (Fresno)	57	1	1

Sources: Nielsen, November 1992

Our television stations, along with the rest of the industry, will soon face options posed by the Cable Television Consumer Protection and Competition Act of 1992. In simple terms, the Act offers a television station a choice of either demanding "must carry" protection from cable systems or initiating a negotiation designed to obtain compensation from systems in exchange for permitting them to carry the station. In the balance lies the value of guaranteed coverage versus the development of a secondary revenue stream. Legal challenges aside, either choice implies risks and complications, and we will make decisions only after careful analysis and study.

A bit more distant, but also looming large, is High Definition Television, a form of advanced television technology that could offer an enhanced television service to the viewing public, but at significant cost and with an uncertain transition process. We are involved in the policy issues as an industry participant, and our stations have started their planning to accommodate the new technology.

Radio

The Company's radio stations generated a 12 percent increase in operating profits on a slightly lower revenue base and improved their competitive positions in several markets. While operating profit levels were still considerably short of the record levels of 1989 and 1990, the overall performance in a poor economy was encouraging.

In 1992, the group was composed of 21 radio stations. In January 1993, the Company sold its AM/FM stations in Denver and also contracted for the sale of its AM/FM stations in Providence. The Company's remaining 17 radio stations (nine AM and eight FM) reach 24.1 percent of the United States as reflected in the following chart:

Station and Market	Market rank	# of stations in market	% of U.S.
WABC-AM/WPLJ-FM (New York)	1	46	6.7%
KABC-AM/KLOS-FM (Los Angeles)	2	46	4.6%
WLS-AM/FM (Chicago)	3	41	3.2%
KGO-AM (San Francisco)	4	55	2.5%
WJR-AM/WHYT-FM (Detroit)	6	30	1.7%
WMAL-AM/WROX-FM (Washington, D.C.)	7	32	1.6%
WBAP-AM/KSCS-FM (Fort Worth-Dallas)	8	33	1.6%
WKHX-AM/FM (Atlanta)	12	21	1.2%
KORS-AM/FM (Minneapolis-St. Paul)	17	20	1.0%
<b>Total</b>			<b>24.1%</b>

Source: Arbitron, Fall 1992 Radio Market Survey  
Schedule & Population Rankings  
Metro persons 12+

While the Company has had a long and profitable radio experience in Providence, we have not been as successful in Denver. Moreover, with the liberalization of radio ownership rules by the FCC, and the new opportunity to acquire additional properties in the larger markets in which we already

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own stations, it seems prudent to leave smaller markets which offer limited upside potential, and preserve our resources for more meaningful market opportunities. While we have yet to acquire a companion facility for any of our larger stations, it is price and not lack of interest that inhibits our expansion.

The value of major market ownership cannot be overstated. While we have seen an audience and profit decline at KLOS-FM in Los Angeles, that station may well be the country's most profitable radio station. In New York, we are very encouraged by recent ratings improvement at our two radio stations. We also are pleased by the continued growth of our Atlanta stations and, although the progress is more modest, we are beginning to see positive trends at our Chicago stations.

Many of our stations are award recipients, but it is particularly gratifying to single out KGO-AM this year. The station was awarded the prestigious NAB Marconi Awards as the "Major Market Station of the Year" and as "Newstalk Station of the Year." KGO-AM also received the Crystal Award for "Outstanding Community Service," and has been the top-rated station in San Francisco for 58 consecutive quarterly rating periods.

The ABC Radio Networks continue as the largest radio network operation in the country, and may have been the only profitable business of its type last year. The radio network industry as a whole suffered substantial revenue erosion in 1992 with the decrease estimated at 14 percent. While our networks had a revenue decline of half as much, and increased their market share, the industry's free-fall was sobering. The impact of actions taken by a few large advertisers on an industry with a relatively small revenue base is difficult to offset.

Despite the fact that the national political campaign imposed added costs and that

several new business initiatives were undertaken, operating costs were reduced for the second consecutive year. The reductions were achieved primarily through the merger of certain ABC Radio Networks' staff functions with those of the Satellite Music Network (SMN), a related business which was acquired several years ago. In the course of this consolidation, the management structure of the networks was both simplified and strengthened, and talent and studio facilities at SMN's Dallas operations were upgraded.

ABC Radio has 17 of the top 20 programs in network radio, and its share of audience during the year increased from 40.4 percent to 41.5 percent. The networks serve approximately 3,200 affiliates nationwide. They offer a wide range of programming, including the news and program services of ABC Radio News and the daily program of Paul Harvey, America's most prominent and popular radio commentator.

The Radio Networks successfully launched the ESPN Radio Network to fine audience and advertiser acceptance. It profitably packaged special radio news coverage of the 1992 Winter and Summer Olympic Games and expanded its international radio offerings to more than 80 countries. Two of SMN's satellite-delivered music formats, *Z-Rock* and *The Touch*, are also achieving greater acceptance by major market stations which bodes well for SMN's services. Also, the division started the ABC NewsWire in partnership with the Reuters and Gannett organizations to serve the needs of smaller and medium market radio stations.

#### Video Enterprises

Video Enterprises' operating profits increased moderately in 1992 on approximately 9 percent higher revenues. The division's primary business activities involve cable programming, program distribution and program packaging. Video Enterprises also participates in similar

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activities internationally through a number of equity and co-production agreements. In addition, Video is involved in several entrepreneurial partnership investments.

ESPN, the premier cable sports network in the country which is 80-percent owned by the Company, represents Video's most significant business activity. For the tenth consecutive time, ESPN ended the year as America's largest cable network. It is currently available in 61,600,000 million homes; 66 percent of U.S. television households. Internationally, ESPN serves approximately 34,000,000 homes in 75 countries and together with its domestic distribution now reaches more than 95,000,000 households worldwide.

ESPN again achieved record revenues and earnings in 1992. It continued to incur significant losses on its baseball contract and, barring a renegotiation, will continue to do so in 1993. In 1992, ESPN exercised its option to terminate its agreement with Major League Baseball at the end of the 1993 season. While ESPN would like to maintain a relationship with Major League Baseball in future years, it will only do so at a significantly reduced license fee. ESPN acquired the telecast-rights to the National Hockey League and the 1994 World Cup Soccer Tournament, augmenting its portfolio of major sports rights and reinforcing its position as the premier sports programmer in the cable industry.

ESPN's international activities include a 50-percent interest in The European Sports Network (TESN), a satellite-distributed sports network in Western Europe. Although TESN's subscriber count reached 32,000,000 in 1992, up 78 percent from a year earlier, ESPN and its partners have decided to merge their interests with Eurosport, another pan-European satellite sports service and TESN's primary competitor. The successful merger of these two companies should significantly enhance and accelerate the likelihood of

success in pan-European sports networking. Additionally, ESPN operates direct satellite service to more than 2,500,000 subscribers in 56 countries throughout Latin America and the Pacific rim and participates in a joint program service venture in Japan, the Japan Sports Network.

Video Enterprises' one-third interests in the Arts & Entertainment (A&E) and Lifetime cable networks continue as very successful investments. Both A&E and Lifetime, which reach 60 percent and 61 percent of U.S. television homes, respectively, again had excellent years and continue to show growth in revenue, earnings and subscribership.

Video Enterprises also maintains an increasing presence in the international marketplace through the distribution of television films and programs and through equity investments in production companies in France, Germany and Spain. The largest of these investments, a 50-percent interest in Tele-Munchen GmbH in Munich, Germany, is involved in a wide array of production and distribution activities. Through Tele-Munchen, the Company also held a significant minority interest in Tele-5, an independent German television network. In 1992, Tele-Munchen reluctantly sold its interest in Tele-5, at a considerable gain, when new partners in the network opted for an alternate programming strategy. Video has re-expressed its interest in the German market by investing in RTL-2, a new German cable program service.

Video also has minority equity positions in several development stage businesses which operate in spheres of interest close to those of the Company. It should be noted that Video's participation as a minority partner is accounted for on the equity basis (the proportionate share of income or loss is recorded as other income or expense). As a consequence, the results of these activities are not reflected in the operating results of the Broadcast Group.

## Publishing

Operating income for the Company's Publishing Group increased 11 percent in 1992 on a revenue gain of 3 percent. The specialized publishing operations recovered from a difficult year in 1991, and the combined newspaper and shopping guide operations posted their sixth straight year of profit increases. Publishing's 1992 and 1991 results are summarized below:

(Dollars in millions)	1992	1991
Net revenues	\$1,078.6	\$1,052.2
Operating costs	908.8	895.4
Depreciation	18.1	18.1
Amortization	15.3	15.8
Total costs	942.2	929.3
Operating income	\$ 136.4	\$ 122.9

The year was highlighted by a number of new initiatives throughout the publishing operations, as well as several dispositions. Record levels of operating income and/or cash flow were achieved at *The Kansas City Star*, *Fort Worth Star-Telegram*, *The Oakland Press*, *The Times Leader*, the Oregon Newspaper Group, PennySaver, Northwest Nickels and the National Insurance Law Service.

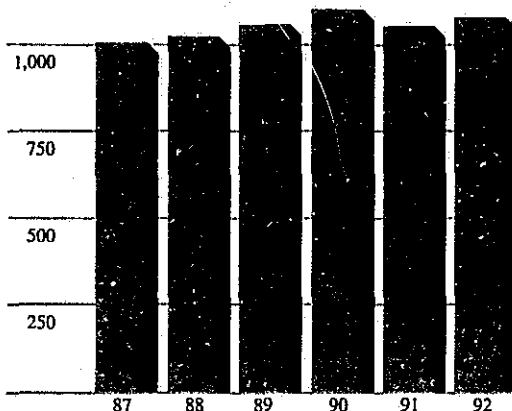
### Newspapers and Shopping Guides

The mark of outstanding newspaper leadership is the ability simultaneously to achieve

Publishing  
Net Revenues

\$ Millions

1,250



profitability, circulation growth and significant service to the newspaper's readers. The Company's publishers achieved all these goals in 1992, as operating income and circulation reached record levels, and the newspapers were honored widely for journalistic excellence, including a Pulitzer Prize at *The Kansas City Star*.

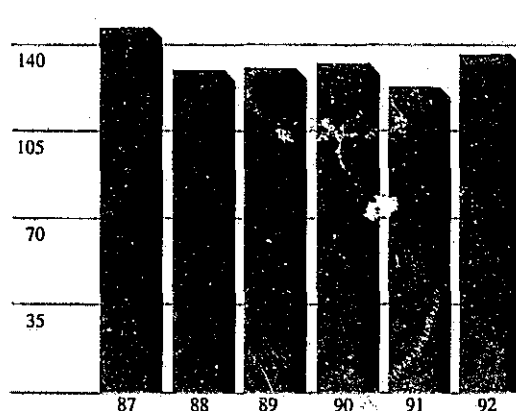
On a 5 percent revenue increase, newspaper and shopping guide operating income increased 12 percent in 1992. In addition to the outstanding efforts of employees throughout our newspaper operations, 1992 results were favorably affected by the continuing significant reductions in newsprint prices. Newsprint prices declined over the past three years, bottoming out in mid-1992 at price levels as much as 40 percent lower than list prices. The average price of newsprint in 1992 was 18 percent lower than 1991. Prices began to increase in the second half of 1992 and increases are continuing in 1993, so the unusually long period of benefits from lower newsprint prices appears to be over.

*The Kansas City Star*, the Company's largest newspaper, posted record revenues and profits as well as modest circulation increases in 1992. James H. Hale, the newspaper's chairman and publisher since its acquisition in 1977, retired at the end of

Publishing  
Operating Income

\$ Millions

175



1992. He will continue to serve as Chairman of the Board. In his nearly 16 years as publisher, Mr. Hale achieved an improved editorial product that was honored with three Pulitzer Prizes, and a seven-fold increase in profits. The new president and publisher is Robert C. Woodworth, formerly executive vice president and general manager of the *Star* and a 20-year veteran with the Company in Belleville, Fort Worth and Kansas City.

The 1992 Pulitzer Prize for national reporting was awarded to reporters Mike McGraw and Jeff Taylor for their series on the United States Department of Agriculture. The series also won major George Polk and Sigma Delta Chi awards.

Among the newspaper's new initiatives, its audiotext service, *Startouch*, continued to add new features in its first full year of operation. More than 2,800,000 calls were logged. The alternate delivery program was expanded, and by year-end was delivering magazines, catalogs and non-subscriber advertising to over 100,000 households.

The *Fort Worth Star-Telegram* generated record revenues and the highest cash flow in the newspaper's history. Editorial improvements were introduced throughout 1992. Two new daily sections were added to provide increased and more timely coverage of arts and entertainment. The Sunday TV book was expanded and zoned to provide cable-specific listings in multiple areas. Sports and business sections and the Friday entertainment guide were substantially expanded. Circulation grew, with Sunday circulation at an all-time high.

An improved *Star-Telegram* Arlington edition was launched in September with its own front page and local section every day and zoned sports and feature pages several times a week. The editorial page carries a daily Arlington editorial, as well as an expanded section for letters from Arlington subscribers. These improvements, designed to strengthen the newspaper's historical

dominance in the largest city between Fort Worth and Dallas, have been well received by Arlington's citizens, leaders and advertisers. A similar expansion in northeast Tarrant County is currently in progress and will be completed in 1993. The majority of the newspaper's 1992 circulation gains were in these strategically important eastern Tarrant County communities.

*The Oakland Press* in Pontiac, Michigan posted record results with an over 20 percent increase in operating income. Among the many honors awarded the newspaper was the Detroit Press Club Foundation's *Medallion* for continuing coverage of corruption and mismanagement at a local savings and loan. It was the newspaper's third *Medallion* in 20 years achieved against competition among all dailies in the state. At year-end the newspaper was finalizing plans to launch audiotext and alternate delivery programs in early 1993. *The County Press* in adjoining Lapeer County launched a Sunday newspaper as a companion to its successful mid-week edition.

Revenues and operating income advanced once again at the *Belleville News-Democrat*, and Sunday circulation reached 60,000. The newspaper's controversial series, "Blacks in Belleville," received numerous awards, including one of three "Best of the Best" medals by Investigative Reporters & Editors. The alternate delivery program sustained higher than anticipated losses and was discontinued in early 1993. Legal Communications Corporation, publisher of legal papers for St. Louis city and county, posted record profits again and acquired two additional legal papers in neighboring St. Charles county.

*The Times Leader* in Wilkes-Barre exceeded 1991's results with record increases in revenues and in operating income. The newspaper's circulation lead over its daily and Sunday competitors continued to widen. The distribution system was altered to guarantee weekday home delivery by 6 am, and *Parade* magazine was added on Sunday.

The Oregon Newspaper Group, comprised of two small dailies and six weeklies, enjoyed a record year in 1992. The New England Newspaper Group reduced its losses in 1992. Additional weeklies and shopping guides started in Connecticut and Massachusetts.

The PennySavers, which are distributed to approximately 1,900,000 homes in California each week, had record operating income in 1992. The southern California operations occupied a new 85,000 square foot production facility in northern San Diego County in April, and a small shopper was purchased in southern Riverside County. Profits improved at the *Pennypower* operations, which distribute 280,000 shoppers weekly in Wichita, Kansas and Springfield, Missouri.

The Company's Nickel publications also had another record year, with combined operating income up over 20 percent. Nickel operations located in Seattle-Tacoma, Spokane, Portland and Las Vegas distribute 540,000 free copies weekly through racks in supermarkets, convenience stores and other locations.

#### Specialized Publications

Excluding acquisitions, dispositions and substantial developmental expenditures, all three of the specialized publishing operating groups reported increased profitability in 1992. Development losses associated with start-ups and new initiatives represented an investment of approximately \$5,000,000.

Operating income at the Diversified Publishing Group increased modestly in 1992. Major restructuring, dispositions and new initiatives highlighted the group's activities.

The Communications and Commodities Group, Hitchcock Publishing and the Chilton trade magazines were combined to create Chilton Publications. The Professional Exposition Management Company (PEMCO), Chilton Research, Chilton Books and Chilton Datalog were combined to create Chilton Enterprises.

Chilton Enterprises' PEMCO combined with *Jewelers' Circular-Keystone* to launch a very successful international jewelry show in Las Vegas. Chilton Research was selected to conduct the Presidential election polling for ABC, NBC, CBS and CNN. The automotive book division was able to secure several new national accounts based on product and design improvements.

Chilton Publications' *Jewelers' Circular-Keystone* won the coveted Jesse H. Neal award for editorial excellence. *Video Software Magazine* was purchased in 1992 to complement the video retail industry coverage of *Video Business* as a monthly management magazine. *Quality Europe* was launched as a sister publication to *Quality* in the United States. Also, *Comm Trends*, a new venture by the Cable Publishing Group to provide an online database of developing trends in the communications industry, is now available.

The Agricultural Publishing Group sold and consolidated a number of its publications. The Harcourt Brace Jovanovich farm publications, acquired in 1991, were successfully integrated into the existing farm magazines. The marketing of agricultural database information is expected to grow as a revenue source.

National Insurance Law Service (NILS) completed the sale of National Price Service in early 1992. The introduction of a CD-ROM product for NILS outperformed expectations, and the local area network versions are now being marketed. NILS' goal for 1993 and beyond is to identify other database companies to acquire and expand.

*Los Angeles* magazine continues to battle a soft local economy and a generally difficult business environment for regional publications. Several competitors ceased publication. Nonetheless, *Los Angeles* magazine remains profitable and capable of recovering to historical earnings levels when the local economy rebounds.

Word, Inc., an inspirational publisher and music producer, was sold to Thomas Nelson,

Inc. in late 1992, making it the Publishing Group's largest disposition to-date. This divestiture will allow the Diversified Publishing Group to reinvest in acquisitions and internal development projects that better fit within our current areas of concentration and management expertise.

Fairchild Publications' 1992 profits from continuing operations improved more than 40 percent over very depressed 1991 levels, with most of its publications showing gains. *Daily News Record* celebrated its centennial year and *W* its 20th anniversary. Spinoffs and new sections started within the past two years accounted for over 25 percent of Fairchild's total profitability in 1992. Among the new, lower frequency publications are those targeted to furniture retailers, supermarket pharmacies, discount clubs, and European, Canadian and Mexican retailers.

In September, Fairchild announced that the circulation list of *M* magazine had been sold, and publication discontinued. During its nine-year existence, *M* was never able to attract enough advertising revenue to establish profitability despite the creative and dedicated efforts of its editorial and marketing staffs. Early in 1993, Fairchild announced it had agreed to purchase 40 percent of Focus Networks, a new Dallas-based company established to provide satellite-delivered business-to-business video services to retailers. *W Europe*, the first pan-European four language fashion publication, which was introduced in early 1991 as a glossy tabloid, has been renamed *W Fashion Europe* and converted to magazine size to better accommodate newsstand display.

Operating income increased over 20 percent in 1992 at the Financial Services and Medical Group, on flat revenues, the second straight year of earnings growth. *Institutional Investor* published its 25th anniversary issue, and was honored with more journalism awards than ever before. Its newsletters scored a record number of "scoops" over its established competition in the financial press.

An eighth newsletter, *Derivatives Week*, was launched and was profitable in its first year. A carefully targeted magazine, *Infrastructure Finance*, was also launched, and will be published quarterly in 1993. Two journals, *Bank Accounting & Finance* and *Commercial Lending Review*, were acquired, and *The Journal of Investing* was started.

The International Medical News Group enjoyed substantial increases in revenues and profits. A new special services unit was created to provide nonprint marketing programs to pharmaceutical companies. In early 1993, sales and administrative offices were relocated from Manhattan to New Jersey to be closer to their advertisers.

#### Video Publishing

In November, Capital Cities/ABC Video Publishing was established and Jon R. Peisinger was named President. This action was designed to centralize the previously autonomous licensing of home video product by the Company's operating units. All home videos not otherwise committed by contract will now be marketed through Capital Cities/ABC Video Publishing. Outside product and catalogs will also be acquired as the Company builds toward becoming a major factor in the special interest home video market.

## Financial Overview

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

#### Results of Operations — 1992 Compared to 1991

Consolidated net revenues for 1992 were \$5,344,127,000, down slightly from the \$5,381,989,000 reported in 1991. Many of the Company's advertiser-supported businesses continued to be affected adversely by the weak economic environment. Broadcasting net revenues for 1992 were \$4,265,561,000 compared with \$4,329,743,000 in 1991, a 1% decrease. Net revenues for the ABC Television Network were down slightly from 1991 principally because of the absence of revenues from the 1991 telecasts of Super Bowl XXV and four NFL postseason playoff games, as well as the continued weak marketplace, particularly in prime time. Television station revenues were up slightly, while those for the radio operations decreased moderately. Video operations reported revenue increases, primarily due to continued growth at ESPN. Publishing Group net revenues increased 3%, from \$1,052,246,000 in 1991 to \$1,078,566,000 in 1992, primarily because of increases at the newspaper operations.

Total costs and expenses of \$4,622,322,000 for 1992 were flat with the \$4,620,756,000 reported in 1991. Broadcasting costs in 1992 decreased slightly from 1991. Expenses for the ABC Television Network decreased 4%, primarily as a result of the absence of rights and production costs associated with the 1991 telecasts of the Super Bowl and NFL postseason playoff games. Excluding these items, television network costs were flat with 1991. Costs at the video operations increased modestly as a result of increased programming expenses. Costs for the television stations were also up modestly due to increases for syndicated programming and news coverage. Radio operating costs were down slightly in 1992. Costs and expenses in 1992 for the Company's publishing

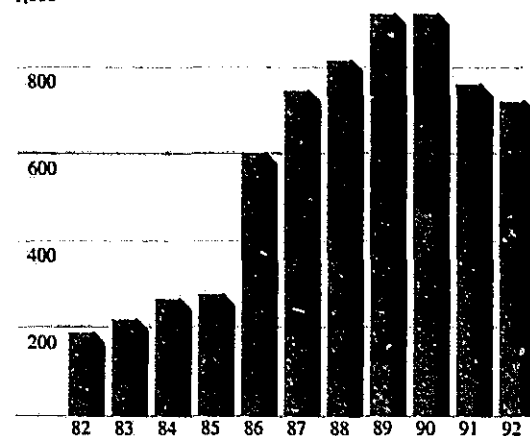
operations increased 1% from 1991. Continued declines in newsprint pricing and overall cost containment were responsible for the slight increase.

Operating income for 1992 was \$721,805,000 compared with \$761,233,000 in 1991, a 5% decline. Broadcasting operating income decreased 8% from 1991, with the ABC Television Network reporting a substantial decline in operating earnings. The television station and radio operations also reported small earnings declines in 1992, while video operations showed a modest increase in earnings. Publishing earnings increased 11% in 1992 with increases reported at both the newspaper and specialized publishing operations.

Net financial expense (interest expense less interest income) for 1992 decreased \$28,512,000 from 1991. Interest expense decreased \$75,338,000, primarily as a result of a net reduction of approximately \$735,000,000 of outstanding long-term debt. Interest income was \$46,826,000 lower in 1992, due to substantially lower interest rates on invested cash and the use of cash for long-term debt reductions. Interest of \$12,511,000 and \$13,557,000 was capitalized in 1992 and 1991, respectively. Miscellaneous income increased \$34,648,000 in 1992 mainly as a result of a

#### Operating Income

\$ Millions  
1,000



gain on the sale of the Company's interest in a German television network. This gain was partially offset by losses provided for or incurred on the disposal of nonoperating real estate in New York City, together with the write-down of certain other nonoperating assets. The Company's effective tax rate was 43.2% in 1992 and 43.4% in 1991.

Consolidated income before the cumulative effect of accounting changes in 1992 and an extraordinary charge in 1991 was \$389,328,000 for 1992, compared with \$374,696,000 earned in 1991. Income per share before the cumulative effect of accounting changes and the extraordinary charge was \$23.45 in 1992, an increase of 5% from the \$22.33 reported in 1991. Average shares outstanding in 1992 were 16,600,000 compared with 16,780,000 in 1991. The decline reflected repurchases of the Company's common stock during 1991 and 1992.

During the fourth quarter and retroactive to January 1, 1992, the Company adopted two statements of Financial Accounting Standards which are required to be implemented by 1993. *Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"* (FAS 106), requires that the Company provide for postretirement benefits, other than pensions, over the service lives of employees rather than on a cash basis as the benefits are paid. The Company recorded an after-tax, noncash charge of \$54,817,000, or \$3.30 per share, to recognize the accumulated obligation for eligible active and retired employees as of January 1, 1992. The adoption of *Financial Accounting Standard No. 109, "Accounting for Income Taxes"* (FAS 109), which requires a change to the liability method of accounting for deferred income taxes, resulted in the Company providing a noncash charge of \$88,418,000, or \$5.33 per share, to account for its deferred tax liability at January 1, 1992. Except for the cumulative effect of adopting the Standards as of January 1, 1992, these accounting

changes did not have a material effect on previously reported quarters of 1992. The fourth quarter of 1991 included an extraordinary charge of \$31,203,000 (net of income taxes), or \$1.86 per share, relating to the cost of redeeming long-term debt prior to maturity.

#### Results of Operations — 1991 Compared to 1990

Consolidated net revenues for 1991 were \$5,381,989,000, down slightly from the \$5,385,602,000 reported in 1990. Virtually all of the Company's advertiser-supported businesses were adversely affected by the ongoing recessionary environment. Broadcasting net revenues for 1991 were \$4,329,743,000 compared with \$4,283,633,000 in 1990, a 1% increase. Net revenues for the ABC Television Network were up slightly from 1990. Incremental revenues from the telecasts of Super Bowl XXV and the new postseason NFL playoff games were offset by the overall weakness in national advertising demand. Television stations and radio operations also reported modest revenue declines. Video operations reported significant revenue increases, principally due to the continued growth of ESPN's subscriber base. Publishing Group net revenues decreased 5% from \$1,101,969,000 in 1990 to \$1,052,246,000 in 1991, primarily because of advertising declines at the specialized publications as well as the effect of prior-year dispositions. Excluding the effect of 1990 and 1991 acquisitions, dispositions and start-ups, the Publishing Group's net revenues declined 3% in 1991.

Total costs and expenses for 1991 were \$4,620,756,000 compared with \$4,462,387,000 in 1990, a 4% increase. Broadcasting costs in 1991 increased 6% from 1990. Expenses for the ABC Television Network increased moderately, primarily as a result of the rights costs and production expenses associated with the telecasts of the Super Bowl and the NFL postseason playoff games, and the effect of



new business activities. Excluding these factors, television network costs were up less than 2% from 1990. Costs at the video operations increased modestly as a result of increased programming expenses, while costs for the television stations and radio operations were virtually flat with 1990. Costs and expenses in 1991 for the Company's publishing operations decreased 4% from 1990, primarily as a result of reduced advertising volume and declines in newsprint pricing. Excluding the effect of 1990 and 1991 acquisitions, dispositions and start-ups, Publishing Group expenses decreased 2% from 1990.

Operating income for 1991 was \$761,233,000 compared with \$923,215,000 in 1990, an 18% decline. Broadcasting operating income decreased 19% from 1990, with the ABC Television Network reporting a substantial decline in operating earnings. The television station and radio operations' operating income also declined in 1991, while video operations reported a significant increase in earnings. Publishing earnings declined 7% in 1991, with small gains for the newspapers offset by significant declines at the specialized publications. Excluding the effect of 1990 and 1991 acquisitions, dispositions and start-ups, publishing operating earnings decreased 9% in 1991.

Net financial expense (interest expense less interest income) for 1991 increased \$6,079,000 from 1990. The increase was attributable to higher interest expense on increased long-term debt due to the issuance of \$250,000,000 of 8 $\frac{7}{8}$ % notes in December 1990 and \$250,000,000 of 8 $\frac{3}{4}$ % debentures in August 1991. This was partially offset by increased interest income due to a greater level of short-term investments and the November 1991 redemption of \$500,000,000 of debentures. Interest of \$13,557,000 and \$13,802,000 was capitalized in 1991 and 1990, respectively. The Company's effective tax rate was 43.4% in 1991 and 43.0% in 1990.

Consolidated income before the extraordinary charge for 1991 was \$374,696,000 compared with \$477,780,000 earned in 1990. Income per share before the extraordinary charge for 1991 was \$22.33, a decline of 19% from the \$27.71 reported in 1990. Average shares outstanding in 1991 were 16,780,000 compared with 17,240,000 in 1990, the decline reflecting repurchases of the Company's common stock during 1990 and 1991.

During the fourth quarter of 1991, the Company redeemed \$200,000,000 of 11 $\frac{3}{4}$ % subordinated debentures due 2013 and \$300,000,000 of 11 $\frac{5}{8}$ % debentures due 2015. In addition, on January 3, 1992, the Company redeemed \$187,500,000 of 10.8% Senior Notes due in 1993 and 1994. An extraordinary charge of \$31,203,000 (net of income taxes), or \$1.86 per share, resulted from these transactions.

#### Cash and Cash Flows

Net cash provided by operating activities was \$407,744,000, a decrease of \$179,804,000 from the \$587,548,000 reported in 1991. The decrease was primarily attributable to substantially increased net investment in program licenses and rights, partially offset by an increase in current liabilities. The 1992 increase in net program licenses and rights versus a decrease in 1991 resulted primarily from the timing of payments for major sports programming and increased activity by ABC Productions.

Net cash from investing activities was \$134,650,000, an increase of \$120,181,000 from the \$14,469,000 provided in 1991. The increase in cash from investing activities is primarily a result of a reduction in short-term investments of \$99,413,000 compared to a reduction of \$187,143,000 in 1991, the receipt of \$53,149,000 from dispositions of real estate in New York City and Los Angeles, an increase of \$148,940,000 from dispositions of operating companies and equity investments as well as reduced cash used for acquisitions of operating companies.

Net cash used in financing activities was \$581,511,000, an increase of \$142,500,000 from the \$439,011,000 used in 1991. The increase was primarily attributable to the absence of the issuance of long-term debt, which occurred in 1991, offset by lower cash payments on outstanding long-term debt. In addition, in 1992, cash used for the repurchase of common stock for the treasury increased by \$34,696,000 compared with 1991.

At December 31, 1992, cash and short-term cash investments were \$686,928,000, a decrease of \$39,117,000 from the prior year. However, after the inclusion of short-term investments, the balance at December 31, 1992 aggregated \$1,197,773,000, a decrease of \$138,530,000 from \$1,336,303,000 at December 31, 1991. The Company's policy is very conservative with respect to investment of its cash. At December 31, 1992, all of the Company's cash was invested in highly liquid United States Government instruments with a weighted average life to maturity of 122 days. The Financial Accounting Standards Board requirements arbitrarily define cash equivalents as those investments with maturities at the date of purchase of three months or less. At December 31, 1992, \$510,845,000 of the Company's investments did not meet the definition of a cash equivalent and are therefore classified in the consolidated financial statements as short-term investments. The Company believes that this distinction is not meaningful with respect to the statement of its cash and cash equivalents position.

**Capital Expenditures and Program Commitments**

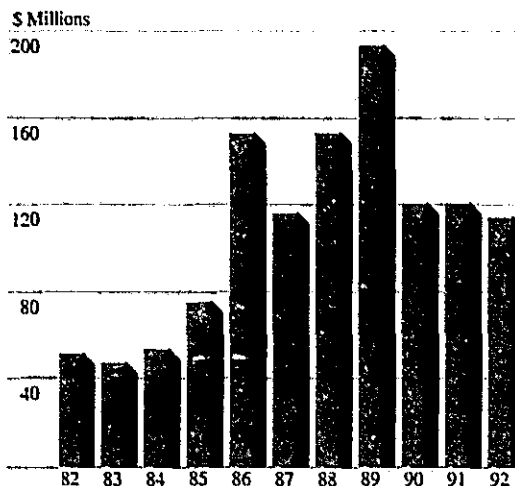
In 1992, capital expenditures amounted to \$114,736,000, down slightly from the \$120,998,000 spent in 1991. The largest portion of the 1992 spending was in the Company's broadcasting operations where \$94,300,000 was spent. Broadcasting capital expenditures included \$30,900,000 for

facilities improvements, \$5,700,000 for transponders at ESPN and \$57,700,000 for broadcast equipment to support current operations. In 1992, the Publishing Group spent \$20,300,000 for ongoing operations.

The Company anticipates that 1993 capital expenditures will approximate \$120,000,000. This amount includes \$20,000,000 for facilities improvements. Expenditures for broadcast and publishing equipment to support ongoing operations are expected to be \$100,000,000, which approximates annual depreciation expense.

As the operator of the ABC Television Network, ESPN and eight television stations, the Company expects to continue to enter into programming commitments to purchase the broadcast rights for various feature films, sports and other programming. Total commitments to purchase broadcast programming were approximately \$2,553,000,000 at the end of 1992. This amount is substantially payable over the next four 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 Expenditures**



*255/300*

## Capital Structure

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

Stockholders' equity amounted to \$3,805,742,000 at December 31, 1992, an increase of \$150,909,000 from the 1991 year-end total of \$3,654,833,000. The increase was primarily attributable to the addition of \$246,093,000 of net income and \$26,547,000 from common stock issued under employee stock plans, offset by \$118,410,000 of purchases of common stock to be held as treasury shares.

At December 31, 1992, total interest-bearing debt was \$1,115,983,000, a net decrease of \$486,276,000 from 1991. As more fully described in Note 2 to the Consolidated Financial Statements, total interest-bearing debt at December 31, 1992 includes \$100,000,000 of commercial paper supported by a \$1,000,000,000 bank revolving credit agreement, \$1,000,000,000 of public notes and debentures with an aggregate average maturity of just under 17 years and \$15,983,000 of other long-term debt. At December 31, 1992, the weighted average interest rates of the commercial paper and of the other public instruments was 3.5% and 8.7%, respectively. The Company plans to fund the repayment of its debt from internally generated funds and, if needed, from various external sources of funds which are available.

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
1992 .....	\$1,116.0	\$5,255.5	21%
1991 .....	\$1,602.3	\$5,521.2	29%
1990 .....	\$1,947.4	\$5,542.5	35%
1989 .....	\$1,695.1	\$5,221.9	32%
1988 .....	\$1,693.5	\$4,948.5	34%

The Company's return on average stockholders' equity was 10.4% in 1992 and 10.7% in 1991.

Since 1988, the Board of Directors of the Company has authorized the repurchase of up to 2,000,000 shares of the Company's common stock. The repurchases are made from time to time in the open market at prices then prevailing. As of February 26, 1993, the Company has repurchased 1,953,300 shares of its common stock under this authorization for a total cost of \$886,200,000, at an average cost of \$454 per share.

## Intangible Assets

At December 31, 1992, the Company's intangible assets, before accumulated amortization, totaled \$2,516,793,000, which accounted for approximately 36% 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 periods of up to 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 broadcasting and publishing assets understate net income and stockholders' equity. The amortization of intangible assets had the effect of reducing 1992 net income by \$58,568,000, or \$3.53 a share. The amortization of substantially all intangible assets is not a deductible item in computing income taxes to be paid.

## Financial Summary 1982-1992

*(Dollars in thousands except per share data)*

	1992	1991	1990
<b>RESULTS FOR THE YEAR</b>			
Net revenues			
Broadcasting .....	\$4,265,561	\$4,329,743	\$4,283,633
Publishing .....	1,078,566	1,052,246	1,101,969
Total .....	5,344,127	5,381,989	5,385,602
Operating income			
Broadcasting .....	\$ 619,317	\$ 669,708	\$ 830,457
Publishing .....	136,389	122,905	132,371
Income from operations .....	755,706	792,613	962,828
General corporate expense .....	(33,901)	(31,380)	(39,613)
Total .....	721,805	761,233	923,215
Income before cumulative effect of accounting changes and extraordinary items (a) .....	\$ 389,328	\$ 374,696	\$ 477,780
Income per share before cumulative effect of accounting changes and extraordinary items (a) .....	\$23.45	\$22.33	\$27.71
Cash dividends per common share .....	\$ 0.20	\$ 0.20	\$ 0.20
Average shares (000's omitted) .....	16,600	16,780	17,240
Return on average stockholders' equity (b) .....	10.4%	10.7%	14.3%
<b>SELECTED CASH FLOW DATA</b>			
Cash provided			
Operations, before changes in operating assets and liabilities	\$ 502,882	\$ 531,897	\$ 672,705
Proceeds from issuance of long-term debt .....	—	253,922	250,500
Proceeds from dispositions of operating companies and equity investments .....	150,168	1,228	5,018
Cash applied			
Acquisition of operating companies .....	\$ 2,432	\$ 48,733	\$ 61,983
Common stock purchased for treasury .....	118,410	83,714	446,724
Capital expenditures .....	114,736	120,998	120,812
Payments of long-term debt .....	486,327	599,302	2,475
Dividends .....	3,321	3,346	3,417
<b>AT YEAR-END</b>			
Working capital .....	\$1,637,763	\$1,656,781	\$1,919,944
Total assets .....	6,522,159	6,695,712	6,696,187
Long-term debt .....	1,115,983	1,602,259	1,947,390
Stockholders' equity .....	3,805,742	3,654,833	3,367,897
Number of shares outstanding (000's omitted) .....	16,444	16,639	16,759
Price range of common stock			
Closing market price .....	\$507½	\$433½	\$459¾
High for the year .....	521	503½	633
Low for the year .....	410¾	357¾	380

(a) Cumulative effect of accounting changes amounted to a charge of \$143,235,000 (\$8.63 per share) in 1992. Extraordinary items amounted to a charge of \$31,203,000 (\$1.86 per share) in 1991, and gains of \$265,746,000 (\$16.35 per share) in 1986 and \$7,585,000 (\$0.58 per share) in 1984.

(b) Income before cumulative effect of accounting changes and extraordinary items, divided by average stockholders' equity.

1989	1988	1987	1986	1985	1984	1983	1982
\$3,899,989	\$3,749,557	\$3,433,749	\$3,153,619	\$ 378,297	\$ 348,106	\$ 302,785	\$ 274,298
<u>1,057,405</u>	<u>1,023,896</u>	<u>1,006,597</u>	<u>970,755</u>	<u>642,583</u>	<u>591,616</u>	<u>459,510</u>	<u>389,282</u>
4,957,394	4,773,453	4,440,346	4,124,374	1,020,880	939,722	762,295	663,580
\$ 836,149	\$ 722,171	\$ 632,910	\$ 474,535	\$ 150,970	\$ 144,182	\$ 124,696	\$ 117,906
<u>130,444</u>	<u>129,720</u>	<u>146,717</u>	<u>158,999</u>	<u>138,512</u>	<u>133,179</u>	<u>104,034</u>	<u>79,010</u>
966,593	851,891	779,627	633,534	289,482	277,361	228,730	196,916
<u>(44,081)</u>	<u>(35,862)</u>	<u>(33,637)</u>	<u>(30,856)</u>	<u>(11,981)</u>	<u>(9,849)</u>	<u>(8,366)</u>	<u>(7,128)</u>
922,512	816,029	745,990	602,678	277,501	267,512	220,364	189,788
\$ 485,727	\$ 387,076	\$ 279,078	\$ 181,943	\$ 142,222	\$ 135,193	\$ 114,704	\$ 96,317
\$27.25	\$22.31	\$16.46	\$11.20	\$10.87	\$10.40	\$8.53	\$7.25
\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$0.20	\$0.20
17,825	17,350	16,950	16,250	13,080	13,000	13,455	13,280
15.4%	14.7%	13.4%	9.7%	17.5%	19.9%	19.6%	19.5%
\$ 701,269	\$ 558,633	\$ 468,380	\$ 268,162	\$ 223,296	\$ 196,600	\$ 169,363	\$ 137,529
2,200	500	—	1,350,507	493,329	18,065	202,527	1,944
7,490	19,072	—	703,378	7,222	5,000	3,200	—
\$ 81,465	\$ 18,143	\$ 13,248	\$3,162,661	\$ 51,109	\$ 146,843	\$ 22,016	\$ 21,588
232,849	3,644	576	1,075	484	46,135	43,619	676
193,542	153,413	116,309	153,082	75,384	53,866	47,595	51,651
1,556	3,458	124,904	367,528	7,872	16,030	32,766	55,867
3,538	3,427	3,231	3,219	2,595	2,570	2,656	2,627
\$1,735,617	\$1,504,954	\$ 640,574	\$ 416,230	\$ 830,986	\$ 240,985	\$ 265,847	\$ 16,353
6,359,507	6,088,871	5,378,372	5,191,416	1,884,931	1,208,172	1,052,912	776,013
1,695,071	1,693,543	1,696,901	1,821,805	714,298	222,995	220,960	48,449
3,291,860	3,025,505	2,224,921	1,948,627	889,260	734,455	625,255	544,267
17,534	17,999	16,193	16,126	12,998	12,867	13,103	13,180
\$564%	\$362%	\$345	\$267½	\$224½	\$164%	\$144	\$119%
568	369%	450	279%	229	174½	157½	136%
353	297	267%	208%	152%	123%	114%	64%

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## Consolidated Statement of Income

Years ended December 31, 1992, 1991 and 1990  
(Dollars in thousands except per share amounts)

	1992	1991	1990
Net revenues .....	<u>\$5,344,127</u>	<u>\$5,381,989</u>	<u>\$5,385,602</u>
Costs and expenses			
Direct operating expenses .....	3,421,054	3,463,628	3,256,273
Selling, general and administrative .....	1,043,595	998,760	1,046,454
Depreciation .....	95,664	96,037	95,675
Amortization of intangible assets .....	62,009	62,331	63,985
	<u>4,622,322</u>	<u>4,620,756</u>	<u>4,462,387</u>
Operating income .....	<u>721,805</u>	<u>761,233</u>	<u>923,215</u>
Other income (expense)			
Interest expense .....	(104,009)	(179,347)	(168,859)
Interest income .....	51,958	98,784	94,375
Miscellaneous, net .....	16,174	(18,474)	(10,951)
	<u>(35,877)</u>	<u>(99,037)</u>	<u>(85,435)</u>
Income before income taxes .....	<u>685,928</u>	<u>662,196</u>	<u>837,780</u>
Income taxes			
Federal .....	245,500	233,600	285,500
State and local .....	51,100	53,900	74,500
	<u>296,600</u>	<u>287,500</u>	<u>360,000</u>
Income before cumulative effect of accounting changes and extraordinary charge .....	389,328	374,696	477,780
Cumulative effect of accounting changes, net of income taxes .....	(143,235)	—	—
Extraordinary charge, net of income taxes .....	—	(31,203)	—
Net income .....	<u>\$ 246,093</u>	<u>\$ 343,493</u>	<u>\$ 477,780</u>
Income per share before cumulative effect of accounting changes and extraordinary charge .....	\$23.45	\$22.33	\$27.71
Cumulative effect of accounting changes per share .....	(8.63)	—	—
Extraordinary charge per share .....	—	(1.86)	—
Net income per share .....	<u>\$14.82</u>	<u>\$20.47</u>	<u>\$27.71</u>
Average shares outstanding (000's omitted) .....	<u>16,600</u>	<u>16,780</u>	<u>17,240</u>

See accompanying notes

## Consolidated Statement of Cash Flows

Years ended December 31, 1992, 1991 and 1990  
(Dollars in thousands)

	1992	1991	1990
<b>Cash flows from operating activities</b>			
Net income .....	\$ 246,093	\$ 343,493	\$ 477,780
Adjustments to reconcile net income to net cash			
Noncash and nonoperating items			
Depreciation .....	95,664	96,037	95,675
Amortization of intangible assets .....	62,009	62,331	63,985
Cumulative effect of accounting changes .....	143,235	—	—
(Decrease) increase in deferred liabilities .....	(26,458)	(39,897)	14,040
Extraordinary charge, early debt redemption .....	—	50,218	—
Other noncash and nonoperating items .....	(17,661)	19,715	21,225
Cash from operations before changes in operating assets and liabilities .....	502,882	531,897	672,705
(Increase) decrease in program assets and liabilities, net ....	(129,064)	171,371	(43,530)
(Increase) in accounts receivable .....	(2,842)	(13,151)	(39,371)
Increase (decrease) in accounts payable, accrued expenses and other current liabilities .....	47,125	(102,171)	5,148
(Increase) in other operating assets, net .....	(10,357)	(398)	(13,563)
Net cash provided by operating activities .....	<u>407,744</u>	<u>587,548</u>	<u>581,389</u>
<b>Cash flows from investing activities</b>			
Capital expenditures .....	(114,736)	(120,998)	(120,812)
Acquisition of operating companies .....	(2,432)	(48,733)	(61,983)
Decrease (increase) in short-term investments .....	99,413	187,143	(797,401)
Proceeds from dispositions of operating companies and equity investments .....	150,168	1,228	5,018
Proceeds from disposition of real estate .....	53,149	—	—
Other investing activities, net .....	(50,912)	(4,171)	(30,458)
Net cash provided by (used in) investing activities .....	<u>134,650</u>	<u>14,469</u>	<u>(1,005,636)</u>
<b>Cash flows from financing activities</b>			
Common stock purchased for treasury .....	(118,410)	(83,714)	(446,724)
Common stock issued under employee stock plans .....	26,547	30,503	48,398
Dividends .....	(3,321)	(3,346)	(3,417)
Payments of long-term debt .....	(486,327)	(599,302)	(2,475)
Proceeds from issuance of long-term debt .....	—	253,922	250,500
Premium on early redemption of debt .....	—	(37,074)	—
Net cash (used in) financing activities .....	<u>(581,511)</u>	<u>(439,011)</u>	<u>(153,718)</u>
Net (decrease) increase in cash and short-term cash investments ..	(39,117)	163,006	(577,965)
Cash and short-term cash investments			
Beginning of period .....	726,045	563,039	1,141,004
End of period .....	<u>\$ 686,928</u>	<u>\$ 726,045</u>	<u>\$ 563,039</u>

See accompanying notes

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## Consolidated Balance Sheet

December 31, 1992 and 1991

*(Dollars in thousands)*

Assets	1992	1991
<b>Current assets</b>		
Cash and short-term cash investments .....	\$ 686,928	\$ 726,045
Short-term investments .....	510,845	610,258
Accounts and notes receivable (net of allowance for doubtful accounts of \$35,114 in 1992 and \$38,302 in 1991) .....	820,115	841,440
Program licenses and rights .....	524,453	426,705
Other current assets .....	190,294	219,443
Total current assets .....	<u>2,732,635</u>	<u>2,823,891</u>
 <b>Property, plant and equipment, at cost</b>		
Land .....	333,816	403,482
Buildings and improvements .....	692,772	633,859
Broadcasting and publishing equipment .....	755,308	689,517
Other, including construction-in-progress .....	226,338	234,654
	<u>2,008,234</u>	<u>1,961,512</u>
Less accumulated depreciation .....	692,250	618,237
Property, plant and equipment, net .....	<u>1,315,984</u>	<u>1,343,275</u>
 <b>Intangible assets (net of accumulated amortization of \$469,602 in 1992 and \$413,781 in 1991) .....</b>		
Program licenses and rights, noncurrent .....	2,047,191	2,111,276
Other assets .....	187,889	176,301
	238,460	240,969
	<u>\$6,522,159</u>	<u>\$6,695,712</u>

See accompanying notes



<b>Liabilities and Stockholders' Equity</b>	<b>1992</b>	<b>1991</b>
<b>Current liabilities</b>		
Accounts payable .....	\$ 141,045	\$ 115,806
Accrued compensation .....	77,077	81,308
Accrued interest .....	22,521	45,675
Accrued expenses and other current liabilities .....	218,452	217,350
Program licenses and rights .....	296,506	320,930
Taxes on income .....	135,398	101,181
Long-term debt due within one year .....	203,873	284,860
<b>Total current liabilities</b> .....	<b>1,094,872</b>	<b>1,167,110</b>
Deferred compensation .....	93,435	94,653
Deferred income taxes .....	249,154	183,740
Program licenses and rights, noncurrent .....	40,953	36,257
Other liabilities .....	241,274	161,332
Long-term debt due after one year .....	912,110	1,317,399
<b>Total liabilities</b> .....	<b>2,631,798</b>	<b>2,960,491</b>
Minority interest .....	<b>84,619</b>	<b>80,388</b>
<b>Stockholders' equity</b>		
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 .....	1,031,607	1,017,195
Retained earnings .....	3,640,664	3,397,892
	<b>4,690,665</b>	<b>4,433,481</b>
Less common stock in treasury, at cost (1,949,733 shares in 1992 and 1,754,825 shares in 1991) .....	<b>884,923</b>	<b>778,648</b>
<b>Total stockholders' equity</b> .....	<b>3,805,742</b>	<b>3,654,833</b>
	<b>\$6,522,159</b>	<b>\$6,695,712</b>

## Consolidated Statement of Stockholders' Equity

Years ended December 31, 1992, 1991 and 1990  
(Dollars in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance January 1, 1990 .....	\$18,394	\$ 970,906	\$2,583,382	\$(280,822)	\$3,291,860
Net income for 1990 .....	—	—	477,780	—	477,780
4,566 shares issued under Incentive Compensation Plan .....	—	1,903	—	595	2,498
104,679 shares issued under Employee Stock Purchase Plan .....	—	22,528	—	13,509	36,037
50,411 shares issued on exercise of employee stock options .....	—	3,233	—	6,630	9,863
934,384 shares purchased for treasury .....	—	—	—	(446,724)	(446,724)
Cash dividends .....	—	—	(3,417)	—	(3,417)
Balance December 31, 1990 .....	18,394	998,570	3,057,745	(706,812)	3,367,897
Net income for 1991 .....	—	—	343,493	—	343,493
67,298 shares issued under Employee Stock Purchase Plan .....	—	17,475	—	8,970	26,445
21,683 shares issued on exercise of employee stock options .....	—	1,150	—	2,908	4,058
209,445 shares purchased for treasury .....	—	—	—	(83,714)	(83,714)
Cash dividends .....	—	—	(3,346)	—	(3,346)
Balance December 31, 1991 .....	18,394	1,017,195	3,397,892	(778,648)	3,654,833
Net income for 1992 .....	—	—	246,093	—	246,093
64,937 shares issued under Employee Stock Purchase Plan .....	—	14,870	—	9,064	23,934
13,078 shares issued on exercise of employee stock options .....	—	(458)	—	3,071	2,613
272,923 shares purchased for treasury .....	—	—	—	(118,410)	(118,410)
Cash dividends .....	—	—	(3,321)	—	(3,321)
Balance December 31, 1992 .....	<u>\$18,394</u>	<u>\$1,031,607</u>	<u>\$3,640,664</u>	<u>\$(884,923)</u>	<u>\$3,805,742</u>

See accompanying notes

## Notes to Consolidated Financial Statements

### 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 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 and multi-year sports rights are charged to expense based on the flow of anticipated revenue.

*Short-Term Investments* — Short-term investments consist of highly liquid U.S. Government instruments with original maturities in excess of three months and are carried at cost, which approximates market. Short-term investments which have a maturity of three months or less at the time of purchase are considered cash equivalents. The carrying amount of the short-term investments and cash equivalents approximates market value due to their short maturity.

## Notes to Consolidated Financial Statements—(Continued)

## 2. Long-term Debt

Long-term debt at December 31, 1992 and 1991 is as follows (000's omitted):

	1992	1991
Commercial paper supported by bank revolving credit agreement .....	\$ 100,000	\$ 100,000
8¼% notes due 1996 .....	200,000	200,000
8¼% notes due 2000 .....	250,000	250,000
8¼% debentures due 2016, with annual sinking fund payments of \$12,000 beginning in 1997..	300,000	300,000
8¼% debentures due 2021 .....	250,000	250,000
10.8% Senior Notes due 1994.....	—	281,250
10½% notes due 1997 .....	—	200,000
Other long-term debt .....	15,983	21,009
	<u>\$1,115,983</u>	<u>\$1,602,259</u>

The aggregate payments of long-term debt outstanding at December 31, 1992, for the next five years, excluding commercial paper, are summarized as follows: 1993 - \$203,873,000; 1994 - \$3,449,000; 1995 - \$2,602,000; 1996 - \$2,638,000; 1997 - \$14,891,000.

Interest paid on long-term debt during 1992, 1991 and 1990 amounted to \$139,674,000, \$203,170,000 and \$182,177,000, respectively.

A subsidiary of the Company has issued commercial paper, \$100,000,000 of which was outstanding at December 31, 1992, at a weighted average interest rate of 3.5%. The commercial paper is supported by a \$1,000,000,000 bank revolving credit agreement terminating on June 30, 1995, unless otherwise extended.

Under terms of the bank revolving credit agreement, the Company and its consolidated subsidiaries are required to maintain a consolidated net worth of \$2,500,000,000 at December 31, 1992, increasing annually by 33 percent of the consolidated net income of the previous year. The commercial paper outstanding at December 31, 1992, 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 1993 is expected to fluctuate and may be reduced from time to time.

The 8¼% debentures due 2016 are redeemable at the option of the Company, in whole or in part, at a declining premium to par until 2006 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 date of issuance. The 8¼% notes and the 8¼% debentures due 2021 are not redeemable prior to maturity and are not subject to any sinking fund. The 8¼% notes are redeemable at par in 1993. During 1991, the Securities and Exchange Commission declared effective a shelf registration statement of the Company which allows for the issuance of up to \$500,000,000 in additional debt securities.

During 1992, the Company paid or redeemed the \$281,250,000 of 10.8% Senior Notes and \$200,000,000 of 10½% notes which were outstanding at the beginning of the year. In 1991, an after-tax extraordinary charge of \$31,203,000 (net of income taxes of \$19,015,000), or \$1.86 per share, was recorded related to the early redemptions of the 10.8% Senior Notes and \$500,000,000 of other debt. In early 1993, the Company called the 8¼% notes for redemption.

The Company has unconditionally guaranteed the 8¼% debentures due 2016 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.

The fair value of the Company's long-term debt, estimated based on the quoted market prices for similar issues or on the current rates offered to the Company for debt of similar remaining maturities, is approximately \$1,175,000,000.

### 3. 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 \$6,192,000, \$6,432,000 and \$6,700,000 were charged to expense in 1992, 1991 and 1990, 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 December 31, 1992 and 1991. The rate of increase in future compensation levels and the expected long-term rate of return on assets were 5% and 8%, respectively, in 1992 and 1991.

The components of net pension cost for 1992, 1991 and 1990 are as follows (000's omitted):

	1992	1991	1990
Service cost of current period .....	\$ 15,077	\$ 14,419	\$ 14,349
Interest cost on projected benefit obligation .....	39,548	36,512	32,985
Actual return on plan assets .....	(42,650)	(72,147)	(1,494)
Net amortization and deferral .....	5,864	36,664	(34,789)
Net pension cost .....	<u>\$ 17,839</u>	<u>\$ 15,448</u>	<u>\$ 11,051</u>

The following table sets forth the pension plans' funded status and amounts recognized in the balance sheet at December 31, 1992 and 1991 (000's omitted):

	1992	1991
Actuarial present value of accumulated plan benefits (including vested benefits of \$377,548 in 1992 and \$352,804 in 1991) .....	<u>\$ 393,132</u>	<u>\$ 366,267</u>
Plan assets at fair value, primarily publicly traded securities and short-term cash investments ...	\$ 510,207	\$ 487,152
Projected benefit obligation for service rendered to date .....	(468,641)	(434,335)
Plan assets in excess of projected benefit obligation .....	41,566	52,817
Prior service cost not yet recognized in net periodic pension cost .....	29,918	33,623
Unrecognized net gain from past experience different from that assumed .....	(66,664)	(71,467)
Unrecognized net asset (transition amount) being recognized principally over 15 years .....	(17,428)	(20,223)
(Accrued) pension cost included in balance sheet .....	<u>\$ (12,608)</u>	<u>\$ (5,250)</u>

In addition to the Company's defined benefit pension plans and qualified profit sharing plans, the Company provides certain postretirement medical and life insurance benefits to eligible retirees and dependents. Covered individuals include retired and active employees who have met certain age and service requirements at various dates during 1989. No other employees become eligible for postretirement benefits after these dates. The benefits are subject to deductibles, co-payment provisions and other limitations. The Company reserves the right to amend, modify or discontinue these plans in the future.

In 1992, the Company adopted *Financial Accounting Standard No. 106 (FAS 106)*, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1992 which requires that the actuarially determined costs of postretirement health care and life insurance benefits be recognized as an expense as employees render service rather than the Company's previous policy to recognize these benefits as they were paid.

In applying this statement, the Company recognized the full amount of the accumulated postretirement

## Notes to Consolidated Financial Statements—(Continued)

## 3. Employee Benefit Plans—(Continued)

benefit obligation as of January 1, 1992 as a cumulative effect of an accounting change. The noncash charge to 1992 earnings was \$91,361,000, or \$54,817,000 (net of income taxes of \$36,544,000), or \$3.30 per share.

The accumulated postretirement benefit obligation was determined using an assumed discount rate of 9%. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 13%; the rate was assumed to decrease gradually to 5½% by the year 2001 and remain at that level thereafter. An increase in the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1992 by approximately \$9,700,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by approximately \$1,075,000.

The following table sets forth the plans' amounts recognized in the consolidated balance sheet at December 31, 1992 for the Company's defined postretirement benefit plans (other than pensions) (000's omitted):

Retirees .....	\$53,854
Fully eligible active participants .....	21,644
Other active participants .....	<u>18,710</u>
Accrued postretirement benefit obligation .....	<u>\$94,208</u>

Net periodic postretirement benefit cost (other than pensions) for 1992 consisted of the following components (000's omitted):

Service cost-benefits attributed to service during the period .....	\$1,031
Interest cost on accumulated postretirement benefit obligation .....	<u>7,961</u>
Net periodic postretirement benefit cost .....	<u>\$8,992</u>

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 fixed interest fund. The Company matches 50% of the employee's contribution, up to 5% of salary. In 1992, 1991 and 1990, the cost of this plan (net of forfeitures) was \$10,982,000, \$10,138,000 and \$10,038,000, respectively.

## 4. Commitments

At December 31, 1992, the Company is committed to the purchase of broadcast rights for various feature films, sports and other programming aggregating approximately \$2,553,000,000. The aggregate payments related to these commitments during the next five years are summarized as follows:

1993 — \$1,356,686,000; 1994 — \$519,312,000;  
1995 — \$ 302,582,000; 1996 — \$151,911,000;  
1997 — \$ 96,258,000.

The Company anticipates 1993 capital expenditures for property, plant and equipment will approximate \$120,000,000.

Rental expense under operating leases amounted to \$92,820,000, \$93,089,000 and \$90,098,000 for 1992, 1991 and 1990, respectively. Future minimum annual rental payments under non-cancelable leases are as follows (000's omitted):

	Capital leases	Operating leases
1993 .....	\$ 8,222	\$ 64,910
1994 .....	7,930	48,223
1995 .....	7,634	38,810
1996 .....	7,244	34,153
1997 .....	6,308	31,535
1998 and thereafter .....	<u>133,707</u>	<u>141,288</u>
Minimum lease payments .....	171,045	<u>\$358,919</u>
Imputed interest .....	<u>(118,992)</u>	
Present value of minimum lease payments .....	<u>\$ 52,053</u>	

Total minimum payments for operating leases have not been reduced for future minimum sublease rentals aggregating \$19,043,000.

## 5. 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, radio stations and cable television programming services. The Publishing segment includes newspapers, shopping guides, various

specialized business periodicals and books, research services and database publishing. There are no material product transfers between segments of the Company, and virtually all of the Company's business is conducted within the United States. The segment data is as follows (000's omitted):

	1992	1991	1990	1989	1988
<b>Broadcasting</b>					
Net revenues .....	\$ 4,265,561	\$ 4,329,743	\$ 4,283,633	\$ 3,899,989	\$ 3,749,557
Direct operating costs .....	3,523,143	3,537,676	3,331,316	2,943,321	2,904,668
Depreciation .....	76,406	75,883	75,088	74,333	76,303
Amortization of intangible assets .....	46,695	46,476	46,772	46,186	46,415
Total operating costs .....	3,646,244	3,660,035	3,453,176	3,063,840	3,027,386
Income from operations .....	\$ 619,317	\$ 669,708	\$ 830,457	\$ 836,149	\$ 722,171
Assets at year-end .....	\$ 4,357,152	\$ 4,249,089	\$ 4,250,540	\$ 4,177,132	\$ 3,927,891
Capital expenditures .....	94,255	106,254	105,475	173,078	138,043
<b>Publishing</b>					
Net revenues .....	\$ 1,078,566	\$ 1,052,246	\$ 1,101,969	\$ 1,057,405	\$ 1,023,896
Direct operating costs .....	908,791	895,402	934,022	891,542	858,102
Depreciation .....	18,072	18,084	18,363	17,971	18,361
Amortization of intangible assets .....	15,314	15,855	17,213	17,448	17,713
Total operating costs .....	942,177	929,341	969,598	926,961	894,176
Income from operations .....	\$ 136,389	\$ 122,905	\$ 132,371	\$ 130,444	\$ 129,720
Assets at year-end .....	\$ 777,512	\$ 886,482	\$ 916,346	\$ 899,499	\$ 898,608
Capital expenditures .....	20,276	13,878	14,450	13,015	15,085
<b>Consolidated</b>					
Net revenues .....	\$ 5,344,127	\$ 5,381,989	\$ 5,385,602	\$ 4,957,394	\$ 4,773,453
Income from operations .....	\$ 755,706	\$ 792,613	\$ 962,828	\$ 966,593	\$ 851,891
General corporate expense .....	(33,901)	(31,380)	(39,613)	(44,081)	(35,862)
Operating income .....	721,805	761,233	923,215	922,512	816,029
Interest expense .....	(104,009)	(179,347)	(168,859)	(174,417)	(182,362)
Interest and other income .....	68,132	80,310	83,424	103,032	53,609
Income before income taxes .....	\$ 685,928	\$ 662,196	\$ 837,780	\$ 851,127	\$ 687,276
Assets employed by segments .....	\$ 5,134,664	\$ 5,135,571	\$ 5,166,886	\$ 5,076,631	\$ 4,826,499
Cash investments and other corporate assets .....	1,387,495	1,560,141	1,529,301	1,282,876	1,262,372
Total assets at year-end .....	\$ 6,522,159	\$ 6,695,712	\$ 6,696,187	\$ 6,359,507	\$ 6,088,871

## Notes to Consolidated Financial Statements—(Continued)

## 6. Income Taxes

The Company adopted *Financial Accounting Standard No. 109* (FAS 109) effective January 1, 1992. In accordance with the Statement, the Company has chosen not to restate prior years, and income tax provisions for 1991 and 1990 have been presented in accordance with *Accounting Principles Board Opinion 11*. As a result of adopting FAS 109, net deferred taxes increased by \$127,198,000 of which \$88,418,000 was recorded as the cumulative effect of

adopting the Statement. In 1992, there was no material effect on pretax income or the tax provision as a result of the adoption of FAS 109.

The provision for taxes on income before the cumulative effect of accounting changes for 1992 and the extraordinary charge for 1991 differs from the amount of tax determined by applying the Federal statutory rate for the following reasons (000's omitted):

	1992		1991		1990	
	Amount	%	Amount	%	Amount	%
Income before income taxes .....	<u>\$685,928</u>		<u>\$662,196</u>		<u>\$837,780</u>	
Income tax expense at statutory Federal rate .....	\$233,216	34.0	\$225,147	34.0	\$284,845	34.0
State and local income taxes, net of Federal benefit .....	34,547	5.0	33,432	5.0	48,166	5.8
Amortization of intangibles .....	17,541	2.6	21,020	3.2	21,311	2.5
Other, net .....	<u>11,296</u>	<u>1.6</u>	<u>7,901</u>	<u>1.2</u>	<u>5,678</u>	<u>0.7</u>
Total .....	<u>\$296,600</u>	<u>43.2</u>	<u>\$287,500</u>	<u>43.4</u>	<u>\$360,000</u>	<u>43.0</u>

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

	1992	1991	1990
Federal			
Current .....	\$274,900	\$216,400	\$296,200
Deferred .....	<u>(29,400)</u>	<u>17,200</u>	<u>(10,700)</u>
	<u>245,500</u>	<u>233,600</u>	<u>285,500</u>
State and local			
Current .....	57,400	50,500	77,000
Deferred .....	<u>(6,300)</u>	<u>3,400</u>	<u>(2,500)</u>
	<u>51,100</u>	<u>53,900</u>	<u>74,500</u>
Total .....	<u>\$296,600</u>	<u>\$287,500</u>	<u>\$360,000</u>

Income taxes paid, net of refunds received, during 1992, 1991 and 1990 amounted to \$292,329,000, \$310,737,000 and \$351,770,000, respectively.

Deferred income taxes represent the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax liabilities and assets as of December 31, 1992 are as follows (000's omitted):

	Current	Noncurrent
Deferred tax liability		
Basis differences on prior business combinations .....	\$ —	\$(257,190)
Accelerated depreciation .....	—	(111,922)
Deferred tax asset		
Postretirement benefits other than pensions .....	—	37,744
Deferred compensation .....	231	35,262
Programming .....	41,475	—
Other, net .....	52,339	46,952
Net deferred tax asset (liability)	<u>\$ 94,045</u>	<u>\$(249,154)</u>

The net deferred tax liability is reflected in the consolidated balance sheet as a net current deferred tax asset (recorded in other current assets) of \$94,045,000 and \$83,618,000 at December 31, 1992 and 1991, respectively, and a net noncurrent deferred tax liability of \$249,154,000 and \$183,740,000 for 1992 and 1991, respectively.

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## 6. Income Taxes—(Continued)

The provision (benefit) for deferred income taxes for the years ended December 31, 1991 and 1990 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):

	1991	1990
Accelerated depreciation .....	\$ 2,800	\$ 11,300
Program costs .....	2,000	(1,900)
Deferred compensation .....	30,600	(7,500)
Other .....	(14,800)	(15,100)
Total .....	<u>\$20,600</u>	<u>\$(13,200)</u>

## 7. 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 6-, 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. During 1991, the stockholders approved a plan authorizing the issuance of 500,000 shares, and at the same time canceled all previously authorized but unissued options. The following information pertains to the Company's stock option plans:

	1992	1991	1990
Outstanding options, beginning of year .....	39,124	61,107	111,968
Granted .....	10,000	—	—
Canceled or expired .....	(300)	(300)	(450)
Exercised .....	(13,078)	(21,683)	(50,411)
Outstanding options, end of year .....	<u>35,746</u>	<u>39,124</u>	<u>61,107</u>
Average price of options exercised during the year .....	\$175.71	\$125.81	\$76.66
Exercise price of outstanding options, end of year .....	\$131.13 to \$492.00	\$131.13 to \$383.38	\$61.50 to \$383.38
Options exercisable, end of year .....	24,396	36,274	55,257
Options available for future grant .....	490,000	500,000	495,605

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 64,937, 67,298 and 104,679 shares under the Plan in 1992, 1991 and 1990, respectively. As of December 31, 1992, 336,712 shares remain avail-

able 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.

## 8. Shareholder Rights Plan

In 1989, the Company adopted a Shareholder Rights Plan. The Plan becomes operative upon the occurrence of 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.

## Notes to Consolidated Financial Statements—(Continued)

## 9. Quarterly Financial Data (Unaudited)

The following summarizes the Company's results of operations for each quarter of 1992 and 1991 (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. During the

fourth quarter and retroactive to January 1, 1992, the Company adopted *Financial Accounting Standards Nos. 106 and 109*. Except for the effect of restating the first quarter of 1992 for the cumulative effect of these accounting changes, the adoption of these Standards did not have a material effect on previously reported quarters.

	First quarter	Second quarter	Third quarter	Fourth quarter	Year
<b>1992</b>					
Net revenues .....	\$ 1,095,421	\$ 1,391,321	\$ 1,215,289	\$ 1,642,096	\$ 5,344,127
Costs and expenses .....	997,501	1,122,592	1,098,806	1,403,423	4,622,322
Operating income .....	97,920	268,729	116,483	238,673	721,805
Interest expense .....	(27,146)	(27,309)	(26,241)	(23,313)	(104,009)
Interest and other income .....	4,472	30,495	21,018	12,147	68,132
Income before income taxes .....	75,246	271,915	111,260	227,507	685,928
Income taxes .....	33,500	124,400	49,100	89,600	296,600
Income before cumulative effect of accounting changes .....	41,746	147,515	62,160	137,907	389,328
Cumulative effect of accounting changes .....	(143,235)	—	—	—	(143,235)
Net income .....	<u>\$ (101,489)</u>	<u>\$ 147,515</u>	<u>\$ 62,160</u>	<u>\$ 137,907</u>	<u>\$ 246,093</u>
Income per share					
Before cumulative effect of accounting changes .....	\$ 2.51	\$ 8.84	\$ 3.74	\$ 8.38	\$ 23.45
Cumulative effect of accounting changes .....	(8.63)	—	—	—	(8.63)
Net income per share .....	<u>\$ (6.12)</u>	<u>\$ 8.84</u>	<u>\$ 3.74</u>	<u>\$ 8.38</u>	<u>\$ 14.82</u>
<b>1991</b>					
Net revenues .....	\$ 1,255,279	\$ 1,357,834	\$ 1,209,305	\$ 1,559,571	\$ 5,381,989
Costs and expenses .....	1,125,011	1,109,143	1,087,197	1,299,405	4,620,756
Operating income .....	130,268	248,691	122,108	260,166	761,233
Interest expense .....	(44,541)	(45,065)	(47,658)	(42,083)	(179,347)
Interest and other income .....	17,671	21,759	24,309	16,571	80,310
Income before income taxes .....	103,398	225,385	98,759	234,654	662,196
Income taxes .....	44,800	97,600	44,800	100,300	287,500
Income before extraordinary charge .....	58,598	127,785	53,959	134,354	374,696
Extraordinary charge .....	—	—	—	(31,203)	(31,203)
Net income .....	<u>\$ 58,598</u>	<u>\$ 127,785</u>	<u>\$ 53,959</u>	<u>\$ 103,151</u>	<u>\$ 343,493</u>
Income per share					
Before extraordinary charge .....	\$ 3.50	\$ 7.60	\$ 3.21	\$ 8.03	\$ 22.33
Extraordinary charge .....	—	—	—	(1.86)	(1.86)
Net income per share .....	<u>\$ 3.50</u>	<u>\$ 7.60</u>	<u>\$ 3.21</u>	<u>\$ 6.17</u>	<u>\$ 20.47</u>

## Notes to Consolidated Financial Statements—(Continued)

### 10. Common Stock and Stockholder Information (Unaudited)

As of February 26, 1993, the approximate number of holders of common stock was 9,150. Dividends of \$.05 per share have been paid for each quarter of 1992 and 1991. 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 1992 and 1991 are as follows:

	1992			1991		
	High	Low	Close	High	Low	Close
1st quarter .....	\$475	\$410%	\$425	\$503½	\$401	\$464
2nd quarter .....	487	413	450%	487	428½	428½
3rd quarter .....	467½	428½	453½	495	400	428
4th quarter .....	521	418½	507½	435	357½	433½

### Report of 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, 1992 and 1991, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Cities/ABC, Inc. at December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Notes 3 and 6 to the consolidated financial statements, in 1992, the Company changed its method of accounting for other postretirement benefits and income taxes.

*Ernst & Young*  
*Ernst & Young*

New York, New York  
February 26, 1993

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## Report of Management

The management of Capital Cities/ABC, Inc. is responsible for the preparation of and 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.

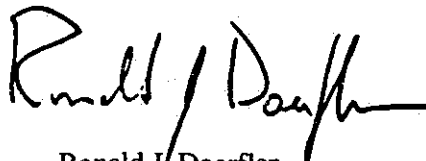
In recognition of its responsibility for the integrity and reliability of the data contained in the financial statements, management maintains a system of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance at an appropriate cost, that assets are safeguarded 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 Company's 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.



Daniel B. Burke  
*President and  
Chief Executive Officer*



Ronald J. Doerfler  
*Senior Vice President and  
Chief Financial Officer*

As of December 31, 1992

Subsidiaries of Capital Cities/ABC, Inc.

	<u>Jurisdiction of Incorporation</u>
Capital Cities/ABC, Inc. (parent)	New York
ABC Holding Company Inc.	Delaware
ABC Consumer Magazines Holding Company, 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 InterActive, Inc.	Delaware
ABC News Intercontinental, Inc.	Delaware
Worldwide Television News Corporation	Delaware
Transcontinental Television, Inc.	Delaware
Worldwide Television News France S.A.R.L.	France
Worldwide Television News GmbH	Germany
Worldwide Television News (U.K.) Limited	United Kingdom
Starbird Satellite Services Limited	United Kingdom
ABC News Overseas Sales, Inc.	Delaware
ABC Radio Network, Inc.	Delaware
ABC Radio Network Sales, Inc. (Merged into ABC Radio Network, Inc. 1/1/93)	New York
ABC/Watermark, Inc.	Delaware
Satellite Music Network, Inc. (Merged into ABC Radio Network, Inc. 1/1/93)	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

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Capital Cities/ABC, Inc. (parent)(continued)	
ABC Holding Company Inc. (continued)	
American Broadcasting Companies, Inc.	Delaware
Capital Cities/ABC National Television Sales, Inc.	Delaware
Capital Cities/ABC Video Enterprises, Inc.	Delaware
Capital Cities/ABC Video Enterprises Worldwide Holdings, Inc.	Delaware
Capital Cities/ABC Video, Inc. (formerly Capital Cities/ABC Video Publishing, Inc.)	Delaware
Capital Cities/ABC Video Musical Investments, Inc.	Delaware
Capital Cities/ABC Video Productions, Inc.	Delaware
HEMPRO, Inc.	Delaware
TPT, Inc.	California
Capital Cities/ABC Video Systems, Inc.	Delaware
French Productions, Inc.	Delaware
910353 Ontario Inc.	Canada
Spanish Productions, Inc.	Delaware
Capital Cities/ABC Video Publishing, Inc.	Delaware
Chilton Holding Company, Inc.	Delaware
Chilton Company	Delaware
Automotive Information Properties, Inc.	Illinois
Capital Cities/ABC Diversified Advertising GmbH	Germany
The Center for Curriculum Development, Inc.	Delaware
Chilton Professional Automotive, Inc.	Delaware
ESPN Holding Company, Inc.	Delaware
ESPN, Inc.	Delaware
English Sports, Inc.	Delaware
ESPN 88	United Kingdom
ESPN Asia, Ltd.	Delaware
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
New York Farm Show, Inc.	New York
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

Capital Cities/ABC, Inc. (parent)(continued)	
ABC Holding Company Inc. (continued)	
NILS Holding Company, Inc.	Delaware
NILS Publishing Company	Delaware
CCB/NILS, Inc.	Delaware
Premiere Cassettes Marketing, Inc.	Delaware
36/38/40 West 66 Realty Company, Inc.	Delaware
WABC-AM Radio, Inc.	Delaware
WLS-AM Holding Company, Inc.	Delaware
WLS, Inc.	Delaware
WLS-FM Radio, Inc	Delaware
WLS Television, Inc.	Delaware
WMAL Holding Company, Inc.	Delaware
WMAL, Inc.	Delaware
WPLJ-FM Radio, Inc.	Delaware
ABC/Kane Productions International, Inc.	Delaware
Capital Cities Entertainment Systems, Inc.	Delaware
Capital Cities Media, Inc.	New York
Capital Cities/ABC Publishing/Far East, Inc.	Japan
Fairchild Publications S.A.R.L.	France
Foothills Trader, Inc.	Connecticut
Guilford Publishing Company, Inc.	Delaware
Imprint, Inc.	Delaware
Mariner Newspapers, Inc.	New York
Newside Publications, Inc.	Delaware
Pennysaver of Cape Cod, Inc.	Massachusetts
Practical Homeowner Holding Company, Inc.	New York
Precision Marketing Services, Inc.	Delaware
Quad County Publishing, Inc.	Illinois
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
JBS Productions Holding Company, Inc.	Delaware
a.k.a. Productions, Inc.	Delaware
The Andrew Adelson Company	California
Canaka Productions, Inc.	Delaware
Class of '96 Productions, Inc.	Delaware
Empty Chair Productions, Inc.	Delaware
Greengrass Productions, Inc.	Delaware
Interglobal Productions, Inc.	Delaware
Fogash Films Limited	Channel Islands
The Kansas City Star Company (also owns the preferred stock of Capital Cities Media, Inc.)	Missouri

Capital Cities/ABC, Inc. (parent)(continued)

KQRS Holding Corporation

KQRS, Inc.

KRXY Holding Corporation

KRXY Radio, Inc.

Legal Com of Delaware, Inc.

Legal Communications Corporation

The Oakland Press Company

Pennypower of Kansas, Inc.

Pennypower Shopping News, Inc.

ST Partner, Inc.

Star-Telegram Newspaper, Inc.

Media Transport, Inc.

(Stock is held by Star-Telegram Operating, Ltd.,  
a Texas limited partnership, in which ST Partner,  
Inc. is the limited partner and Star-Telegram  
Newspaper, Inc. is the managing general partner)

Sutton Industries, Inc.

J V Z Enterprises

PSP & D, Inc.

TV Connection, Inc.

WBAP-KSCS Partner, Inc.

WBAP-KSCS Radio, Inc.

Wilson Publishing Company

Delaware

Delaware

Delaware

Delaware

Delaware

Missouri

Michigan

Delaware

Kansas

Delaware

Delaware

Texas

Delaware

California

Delaware

Delaware

Delaware

Delaware

Rhode Island

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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

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1992.

or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4278

- 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

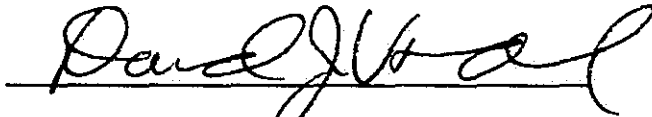
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S I G N A T U R E S

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

Capital Cities/ABC, Inc. Savings & Investment Plan

Date: March 15, 1993

A handwritten signature in cursive script, appearing to read "David J. Vondrak", written over a horizontal line.

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

**CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN**

**Financial Statements and Supplemental Schedules**

**December 31, 1992**

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

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**CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN**

**Index to Financial Statements**

**Report of Ernst & Young, Independent Auditors**

**Statements of Financial Condition as of  
December 31, 1992 and 1991**

**Statements of Income and Changes in Plan Equity  
for the years ended December 31, 1992, 1991 and 1990**

**Notes to Financial Statements**

**Supplemental Schedules:**

**Schedule**

Investments at December 31, 1992 .....1

Combining Statements of Financial Condition as of  
December 31, 1992 and 1991 .....2

Combining Statements of Income and Changes in Plan Equity  
for the years ended December 31, 1992, 1991 and  
and 1990 .....3

*There were no reportable transactions or series of reportable transactions in  
excess of 5% of the current value of plan assets.*

**Exhibit:**

Consent of Ernst & Young

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REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

The Board of Directors  
Capital Cities/ABC, Inc.

We have audited the accompanying statements of financial condition of the Capital Cities/ABC, Inc. Savings & Investment Plan (the Plan) as of December 31, 1992 and 1991, and the related statements of income and changes in plan equity for each of the three years in the period ended December 31, 1992 and the related supplemental schedules listed in the accompanying index to financial statements. 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 financial statements and supplemental schedules listed in the accompanying index to financial statements present fairly, in all material respects, the financial status of the Plan at December 31, 1992 and 1991, and the results of its operations and changes in its plan equity for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

*Ernst & Young*

ERNST & YOUNG

New York, New York  
March 15, 1993

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CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Statements of Financial Condition

December 31, 1992 and 1991

<u>ASSETS</u>	<u>1992</u>	<u>1991</u>
Investments, at market (notes 1 and 3):		
Equity Securities:		
Capital Cities/ABC, Inc. common stock (cost of \$126,479,181 and \$119,827,361 in 1992 and 1991, respectively)	\$231,617,271	\$193,273,808
Other (cost of \$31,250,396 and \$23,076,592 in 1992 and 1991, respectively)	<u>36,522,393</u>	<u>26,096,653</u>
Total equity securities	<u>268,139,664</u>	<u>219,370,461</u>
Other investments:		
Bankers Trust Pyramid Directed Account Cash Fund	2,269,018	1,573,190
Funds on deposit with insurance companies	<u>97,525,355</u>	<u>86,666,777</u>
Total other investments	<u>99,794,373</u>	<u>88,239,967</u>
Total investments	<u>367,934,037</u>	<u>307,610,428</u>
Participant loans (note 2)	8,354,906	6,430,212
Receivables from sales of investments	152,162	420,570
Interest and dividends receivable	739,207	754,076
Due from Capital Cities/ABC, Inc.	<u>2,794,763</u>	<u>788,958</u>
Total assets	<u>\$379,975,075</u>	<u>\$316,004,244</u>
<u>LIABILITIES AND PLAN EQUITY</u>		
Due to terminated and withdrawing participants	\$ 5,652,052	\$ 5,667,479
Payables for purchases of investments	-	167,789
Plan equity	<u>374,323,023</u>	<u>310,168,976</u>
Total liabilities and plan equity	<u>\$379,975,075</u>	<u>\$316,004,244</u>

See accompanying notes to financial statements.

**CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN**

**Statements of Income and  
Changes in Plan Equity**

Years ended December 31, 1992, 1991 and 1990

	<u>1992</u>	<u>1991</u>	<u>1990</u>
Investment income:			
Dividends	\$ 841,884	\$ 774,819	\$ 759,563
Interest	<u>7,366,769</u>	<u>7,530,128</u>	<u>6,380,986</u>
Total investment income	<u>8,208,653</u>	<u>8,304,947</u>	<u>7,140,549</u>
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants (note 1)	1,858,251	2,471,355	3,048,264
Net gain (loss) on sales of common stock	1,470,457	2,377,834	(1,004,609)
Net increase (decrease) in unrealized appreciation of plan assets held at year end (note 1)	<u>33,943,579</u>	<u>(10,946,233)</u>	<u>(48,044,288)</u>
	<u>45,480,940</u>	<u>2,207,903</u>	<u>(38,860,084)</u>
Contributions:			
Participants (note 2)	27,327,695	27,781,216	23,394,286
Employer (notes 1 and 2)	<u>13,220,562</u>	<u>9,674,343</u>	<u>10,678,809</u>
Total contributions	<u>40,548,257</u>	<u>37,455,559</u>	<u>34,073,095</u>
Interest on participant loans (note 2)	550,590	482,260	384,073
Cash transferred from other plan (note 2)	<u>3,877,175</u>	<u>-</u>	<u>4,587,947</u>
Total	<u>90,456,962</u>	<u>40,145,722</u>	<u>185,031</u>
Distributions to terminated and withdrawing participants (note 1):			
Capital Cities/ABC, Inc. common stock, at market value	3,220,570	6,160,715	5,549,780
Cash	<u>22,905,738</u>	<u>19,039,010</u>	<u>14,215,667</u>
Total distributions	<u>26,126,308</u>	<u>25,199,725</u>	<u>19,765,447</u>
Administrative expenses (note 4)	<u>176,607</u>	<u>139,379</u>	<u>-</u>
Change in plan equity	<u>64,154,047</u>	<u>14,806,618</u>	<u>(19,580,416)</u>
Plan equity:			
Beginning of year	<u>310,168,976</u>	<u>295,362,358</u>	<u>314,942,774</u>
End of year	<u>\$374,323,023</u>	<u>\$310,168,976</u>	<u>\$295,362,358</u>

See accompanying notes to financial statements.

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**CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN**

**Notes to Financial Statements**

**December 31, 1992, 1991 and 1990**

**(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 - Fixed Interest 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. The market value of the equity investments is also based on year-end stock quotations from the New York Stock Exchange.

Investments of the Fixed Interest Fund consist of funds on deposit with insurance companies under contracts which provide a guaranteed minimum annual rate of interest of 7.5% for 1992. The Fixed Interest Fund is valued at the contracts' carrying amounts.

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 (decrease) for each year included in the accompanying statements of income and changes in plan equity are as follows:

	<u>1992</u>	<u>1991</u>	<u>1990</u>
Balance at beginning of year	\$ 76,466,508	\$ 87,412,741	\$135,457,029
Balance at end of year	<u>110,410,087</u>	<u>76,466,508</u>	<u>87,412,741</u>
Net increase/(decrease)	<u>\$ 33,943,579</u>	<u>\$(10,946,233)</u>	<u>\$(48,044,288)</u>

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CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Notes to Financial Statements

December 31, 1992, 1991 and 1990

(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 \$174,247, \$137,869 and \$115,920 for 1992, 1991 and 1990, 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 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 subsequent to 1988 are eligible to participate in the Plan. In addition, approximately 5,000 employees of certain properties within Capital Cities/ABC's Publishing Group are eligible to participate in the Plan. The cash transfers of \$3,877,175 in 1992 and \$4,587,947 in 1990 represent the mergers of the International Medical News Group Profit Sharing Plan and the Institutional Investor Employee Savings Plan, respectively, into the 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). Participants can also contribute an additional unmatched 2, 3, 4 or 5% of annual compensation, which may be designated as either taxable or tax deferred contributions for any year. Combined employee and employer-matched contributions are limited to \$30,000 for all defined contribution plans. In 1992 and 1991, the IRS-imposed limitation on tax deferred contributions made by employees was \$8,728 and \$8,475, respectively. Participants are immediately vested with respect to their own contributions. 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 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.

(Continued)

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CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Notes to Financial Statements

December 31, 1992, 1991 and 1990

(2) Description of Plan (Continued)

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 E 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 Capital Cities/ABC. 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, 1992 there were 9,212 participants in Fund A, 4,056 participants in Fund B and 6,483 participants in Fund C.

As of December 31, 1992 there were 5,969,676 total units in Fund B and 25,290,104 total units in Fund C with unit values of \$6.49 and \$3.84, respectively.

**CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN**

**Notes to Financial Statements**

**December 31, 1992, 1991 and 1990**

**(3) Changes in Investment in Equity Securities**

Changes in investment in equity securities, at cost, for the years ended December 31, 1992 and 1991 were as follows:

	<u>Shares</u>	<u>Cost</u>
<b>Capital Cities/ABC, Inc. common stock:</b>		
Balance at December 31, 1990	434,189	\$112,396,970
Purchases	24,711	10,937,035
Distributions to terminated and withdrawing participants	<u>(13,055)</u>	<u>(3,506,644)</u>
Balance at December 31, 1991	445,845	119,827,361
Purchases	22,163	9,864,823
Distributions to terminated and withdrawing participants	<u>(11,844)</u>	<u>(3,213,003)</u>
Balance at December 31, 1992	<u>456,164</u>	<u>\$126,479,181</u>
<b>Other equity securities:</b>		
Balance at December 31, 1990	502,900	\$ 17,334,127
Purchases	901,250	31,298,191
Sales	<u>(798,102)</u>	<u>(25,555,726)</u>
Balance at December 31, 1991	606,048	23,076,592
Purchases	799,550	23,402,711
Sales	<u>(429,098)</u>	<u>(15,228,907)</u>
Balance at December 31, 1992	<u>976,500</u>	<u>\$ 31,250,396</u>

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**CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN**

**Notes to Financial Statements**

**December 31, 1992, 1991 and 1990**

**(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. Substantially all of the Plan assets are held by the Trustee.

Effective January 1, 1991, Plan assets are used to pay for administrative expenses associated with the Diversified Equity Fund. Prior thereto, all costs of administering the Plan were paid directly by Capital Cities/ABC.

**(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) Income Tax Status**

The Internal Revenue Service has advised Capital Cities/ABC on March 24, 1989 that the Plan is qualified under Section 401(a) of the Internal Revenue Code, and therefore, its related trust is exempt from federal income taxes under the provisions of Section 501(a) of the Code. The Plan has been amended to comply with certain legislative and regulatory changes.

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**

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## CAPITAL CITIES/ABC, INC. SAVINGS &amp; INVESTMENT PLAN

## Investments

December 31, 1992

<u>DESCRIPTION</u>	<u>NUMBER OF SHARES</u>	<u>COST</u>	<u>MARKET VALUE</u>
<u>Equity Securities:</u>			
American Cyanamid Co Com	6,000	\$ 336,642	\$ 345,750
American Int'l Group Inc Com	6,000	500,651	696,000
Attwoods Plc Adr	30,000	363,613	307,500
Baker Hughes Inc Com	19,000	449,013	372,875
Bank One Corp Com	6,500	285,703	345,313
Bankamerica Corp Com	16,500	681,440	767,250
Bankers Trust NY Corp Com	10,000	526,763	685,000
Bard C R Inc Com	20,000	525,893	662,500
Boeing Co Com	21,000	867,120	842,625
Capital Cities/ABC Inc Com	456,164	126,479,181	231,617,271
Capital Holding Corp Del Com	10,000	455,380	722,500
Chesapeake Corp	14,000	328,688	287,000
Chubb Corp Com	7,500	482,333	666,563
Conagra Inc Com	4,500	124,409	149,063
Cooper Inds Inc Com	6,000	301,168	284,250
Crane Co Com	12,000	325,887	283,500
Dayton Hudson Corp Com	7,000	423,169	530,250
Dover Corp Com	11,000	431,788	504,625
Dresser Inds Inc Com	30,000	550,364	540,000
Dreyfus Corp Com	16,500	607,740	668,250
Eastman Kodak Co Com	17,500	716,568	708,750
Enserch Corp Com	20,000	239,040	282,500
Federal Paper Brd Inc Com	5,000	129,111	123,125
Fruit of the Loom Cl A	13,000	262,015	632,125
General Electric Co Com	8,000	566,475	684,000
General Re Corp Com	7,000	620,318	810,250
Glaxo Holdings Plc Sponsored Adr	28,000	709,518	665,000
Healthcare Compare Corp Com	9,000	256,086	270,000
Heinz HJ Co Com	8,000	291,195	353,000
Helene Curtis Inds Inc Com	10,000	340,876	418,750
Hewlett Packard Co Com	12,000	783,761	838,500
Johnson & Johnson Com	7,500	343,278	378,750
JF Morgan & Co Inc Com	7,000	343,520	460,250
Kerr McGee Corp Com	12,500	529,526	562,500
King World Productions Inc Com	13,000	331,353	437,125
K Mart Corp Com	20,000	450,780	490,000
Limited Inc Com	20,000	533,329	540,000
Liz Claiborne Inc Com	13,500	502,611	561,938
Marsh & McLennan Cos Inc. Com	1,400	110,249	127,925
May Dept Stores Co Com	6,500	293,332	459,063
MBNA Corp Com	8,000	320,920	397,000
McDonalds Corp Com	15,000	501,679	731,250
Head Corp Com	14,000	524,811	535,500
Minnesota Mng & Mfg Co Com	3,500	321,835	352,188
Monsanto Co Com	6,500	359,554	374,563
Morgan Stanley Group Inc Com	12,000	579,053	669,000

**CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN**

**Investments**

December 31, 1992

<u>DESCRIPTION</u>	<u>NUMBER OF SHARES</u>	<u>COST</u>	<u>MARKET VALUE</u>
<b>Equity Securities: (Continued)</b>			
Morton Int'l Inc Ind Com	600	31,142	36,525
Nike Inc Cl B	9,000	477,004	747,000
NWNL Cos Inc	8,000	312,634	407,000
Oryx Energy Co Com	23,000	443,111	451,375
Owens Ill Inc Com New	55,000	607,477	550,000
Pepsico Inc Com	16,000	468,480	664,000
Pfizer Inc Com	8,500	573,345	616,250
Philip Morris Cos Inc Com	4,500	332,010	347,063
Primerica Corp Del	15,000	590,689	725,625
Provident Life & Acc Inc Co Cl B	17,500	330,804	498,750
Quantum Corp Com	23,500	280,364	358,375
Rite Aid Corp Com	28,000	533,289	598,500
Safeco Corp Com	13,000	416,253	744,250
Schering Plough Corp Com	12,000	703,533	763,500
Sprint Corp Com	6,500	147,954	165,750
Student Loan Marketing Assn/Com Unres Vtg	7,500	448,410	516,563
Sun Co Com	6,500	174,013	182,000
Sundstrand Corp Com	12,500	337,417	503,125
Tandy Corp Com	20,000	536,046	595,000
Texaco Inc Com	5,000	268,843	298,750
Total SA B Adr Sponsored Adr	20,000	456,305	415,000
Unilever N V New York Shs	1,000	85,380	104,250
US Bankcorp Com	17,500	376,250	461,563
Varian Assoc Inc Com	10,000	337,910	443,750
Vons Cos Inc Com	16,500	420,636	420,750
Walt Disney Co Com	12,000	338,855	516,000
Washington Mut Svgs Bk Seattle Com	11,000	347,000	369,875
Waste Mgmt Inc Com	12,000	424,470	480,000
Wells Fargo & Co Com	8,500	605,690	649,188
Whitman Corp Com	25,000	316,525	368,750
<b>Total Equity Securities</b>	<b>1,432,664</b>	<b>157,729,577</b>	<b>268,139,664</b>
<b>Other Investments:</b>			
Bankers Trust Pyramid Directed Account Cash Fund		2,269,018	2,269,018
Funds on Deposit with Insurance Companies (at carrying value):			
Group Annuity Contracts with AETNA Life Insurance		70,728,021	70,728,021
Group Annuity Contracts with Metropolitan Life Insurance		26,797,334	26,797,334
<b>Total Other Investments</b>		<b>99,794,373</b>	<b>99,794,373</b>
<b>Total Investments</b>		<b>\$257,523,950</b>	<b>\$367,934,037</b>

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## CAPITAL CITIES/ABC, INC. SAVINGS &amp; INVESTMENT PLAN

## Combining Statements of Financial Condition

December 31, 1992

ASSETS	Total Funds	Fund A -	Fund B -	Fund C -
		Capital Cities/ ABC, Inc. Common Stock Fund	Diversified Equity Fund	Fixed Interest Fund
Investments, at market				
Equity Securities:				
Capital Cities/ABC, Inc. common stock	\$231,617,271	\$231,617,271	\$ -	\$ -
Other	36,522,393	-	36,522,393	-
Total equity securities	<u>268,139,664</u>	<u>231,617,271</u>	<u>36,522,393</u>	<u>-</u>
Other investments:				
Bankers Trust Pyramid Directed Account Cash Fund	2,269,018	1,024,288	1,244,730	-
Funds on deposit with insurance companies	97,525,355	-	-	97,525,355
Total other investments	<u>99,794,373</u>	<u>1,024,288</u>	<u>1,244,730</u>	<u>97,525,355</u>
Total investments	367,934,037	232,641,559	37,767,123	97,525,355
Participant loans	8,354,906	5,175,427	793,900	2,385,579
Receivables from sales of investments	152,162	-	152,162	-
Interest and dividends receivable	739,207	24,288	75,557	639,362
Due from Capital Cities/ ABC, Inc.	<u>2,794,763</u>	<u>720,646</u>	<u>1,262,095</u>	<u>812,022</u>
Total assets	<u>\$379,975,075</u>	<u>\$238,561,920</u>	<u>\$40,050,837</u>	<u>\$101,362,318</u>
<b>LIABILITIES AND PLAN EQUITY</b>				
Due to terminated and withdrawing participants	\$ 5,652,052	\$ 3,191,343	\$ 519,029	\$ 1,941,680
Plan equity	<u>374,323,023</u>	<u>235,370,577</u>	<u>39,531,808</u>	<u>99,420,638</u>
Total liabilities and plan equity	<u>\$379,975,075</u>	<u>\$238,561,920</u>	<u>\$40,050,837</u>	<u>\$101,362,318</u>



## CAPITAL CITIES/ABC, INC. SAVINGS &amp; INVESTMENT PLAN

## Combining Statements of Financial Condition

December 31, 1991

<u>ASSETS</u>	<u>Total Funds</u>	<u>Fund A - Capital Cities/ ABC, Inc. Common Stock Fund</u>	<u>Fund B - Diversified Equity Fund</u>	<u>Fund C - Fixed Interest Fund</u>
Investments, at market				
Equity Securities:				
Capital Cities/ABC, Inc. common stock	\$193,273,808	\$193,273,808	\$ -	\$ -
Other	<u>26,096,653</u>	<u>                    </u>	<u>26,096,653</u>	<u>                    </u>
Total equity securities	<u>219,370,461</u>	<u>193,273,808</u>	<u>26,096,653</u>	<u>                    </u>
Other investments:				
Bankers Trust Pyramid Directed Account Cash Fund	1,573,190	1,043,462	529,728	-
Funds on deposit with insurance companies	<u>86,666,777</u>	<u>                    </u>	<u>                    </u>	<u>86,666,777</u>
Total other investments	<u>88,239,967</u>	<u>1,043,462</u>	<u>529,728</u>	<u>86,666,777</u>
Total investments	307,610,428	194,317,270	26,626,381	86,666,777
Participant loans	6,430,212	4,009,706	588,772	1,831,734
Receivables from sales of investments	420,570	-	420,570	-
Interest and dividends receivable	754,076	26,657	58,074	669,345
Due from Capital Cities/ABC, Inc.	788,958	581,779	186,148	21,031
Interfund transfer receivable (payable)	<u>                    </u>	<u>828,767</u>	<u>1,880,623</u>	<u>(2,709,390)</u>
Total assets	<u>\$316,004,244</u>	<u>\$199,764,179</u>	<u>\$29,760,568</u>	<u>\$86,479,497</u>
 <u>LIABILITIES AND PLAN EQUITY</u>				
Due to terminated and withdrawing participants	\$ 5,667,479	\$ 3,309,172	\$ 459,088	\$ 1,899,219
Payables for purchases of investments	167,789	-	167,677	112
Plan equity	<u>310,168,976</u>	<u>196,455,007</u>	<u>29,133,803</u>	<u>84,580,166</u>
Total liabilities and plan equity	<u>\$316,004,244</u>	<u>\$199,764,179</u>	<u>\$29,760,568</u>	<u>\$86,479,497</u>

## CAPITAL CITIES/ABC, INC. SAVINGS &amp; INVESTMENT PLAN

## Combining Statements of Income and Changes in Plan Equity

December 31, 1992

	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Fixed Interest Fund
<u>Total Funds</u>			
Investment income:			
Dividends	\$ 841,884	\$ 90,366	\$ 751,518
Interest	7,366,769	33,760	25,797
Total investment income	<u>8,208,653</u>	<u>124,126</u>	<u>777,315</u>
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminating and withdrawing participants	1,858,251	1,858,251	-
Net gain on sales of common stock	1,470,457	-	1,470,457
Net increase in unrealized appreciation of plan assets held at year end	<u>33,943,579</u>	<u>31,691,637</u>	<u>2,251,942</u>
	<u>45,480,940</u>	<u>33,674,014</u>	<u>4,499,714</u>
Contributions:			
Participants	27,327,695	8,038,693	6,931,665
Employer	13,220,562	13,220,562	-
Total contributions	<u>40,548,257</u>	<u>21,259,255</u>	<u>6,931,665</u>
Interest on participant loans	550,590	300,040	67,716
Participant transfers	-	(2,708,032)	1,740,181
Cash transferred from other plan	3,877,175	116,853	426,428
Total	<u>90,456,962</u>	<u>52,642,130</u>	<u>13,665,704</u>
Distributions to terminated and withdrawing participants: Capital Cities/ABC, Inc. common stock, at market value	3,220,570	3,220,570	-
Cash	<u>22,905,738</u>	<u>10,505,985</u>	<u>3,091,097</u>
Total distributions	<u>26,126,308</u>	<u>13,726,555</u>	<u>3,091,097</u>
Administrative expenses	<u>176,607</u>	-	<u>176,607</u>
Change in plan equity	<u>64,154,047</u>	<u>38,915,575</u>	<u>10,398,000</u>
Plan equity:			
Beginning of year	<u>310,168,976</u>	<u>196,455,007</u>	<u>29,133,803</u>
End of year	<u>\$374,323,023</u>	<u>\$235,370,582</u>	<u>\$39,531,803</u>
	<u>\$99,420,638</u>		

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## CAPITAL CITIES/ABC, INC. SAVINGS &amp; INVESTMENT PLAN

## Combining Statements of Income and Changes in Plan Equity

December 31, 1991

	<u>Total Funds</u>	<u>Fund A - Capital Cities/ ABC, Inc. Common Stock Fund</u>	<u>Fund B - Diversified Equity Fund</u>	<u>Fund C - Fixed Interest Fund</u>
<b>Investment income:</b>				
Dividends	\$ 774,819	\$ 88,809	\$ 686,010	\$ -
Interest	<u>7,530,128</u>	<u>62,345</u>	<u>102,326</u>	<u>7,365,457</u>
Total investment income	<u>8,304,947</u>	<u>151,154</u>	<u>788,336</u>	<u>7,365,457</u>
<b>Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminating and withdrawing participants</b>	2,471,355	2,471,355	-	-
<b>Net gain on sales of common stock</b>	2,377,834	-	2,377,834	-
<b>Net (decrease) increase in unrealized appreciation of plan assets held at year end</b>	<u>(10,946,233)</u>	<u>(13,503,607)</u>	<u>2,557,374</u>	<u>-</u>
	<u>2,207,903</u>	<u>(10,881,098)</u>	<u>5,723,544</u>	<u>7,365,457</u>
<b>Contributions:</b>				
Participants	27,781,216	11,085,552	4,834,966	11,860,698
Employer	<u>9,674,343</u>	<u>9,674,343</u>	<u>-</u>	<u>-</u>
Total contributions	<u>37,455,559</u>	<u>20,759,895</u>	<u>4,834,966</u>	<u>11,860,698</u>
<b>Interest on participant loans</b>	482,260	433,850	11,775	36,635
<b>Participant transfers</b>	<u>-</u>	<u>(1,220,137)</u>	<u>(325,162)</u>	<u>1,545,299</u>
Total	<u>40,145,722</u>	<u>9,092,510</u>	<u>10,245,123</u>	<u>20,808,089</u>
<b>Distributions to terminated and withdrawing participants: Capital Cities/ABC, Inc. common stock, at market value</b>	6,160,715	6,160,715	-	-
Cash	<u>19,039,010</u>	<u>7,935,993</u>	<u>2,584,310</u>	<u>8,518,707</u>
Total distributions	<u>25,199,725</u>	<u>14,096,708</u>	<u>2,584,310</u>	<u>8,518,707</u>
<b>Administrative expenses</b>	<u>139,379</u>	<u>-</u>	<u>139,379</u>	<u>-</u>
<b>Change in plan equity</b>	<u>14,806,618</u>	<u>(5,004,198)</u>	<u>7,521,434</u>	<u>12,289,382</u>
<b>Plan equity:</b>				
Beginning of year	<u>295,362,358</u>	<u>201,459,205</u>	<u>21,612,369</u>	<u>72,290,784</u>
End of year	<u>\$310,168,976</u>	<u>\$196,455,007</u>	<u>\$29,133,803</u>	<u>\$84,580,166</u>

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## CAPITAL CITIES/ABC, INC. SAVINGS &amp; INVESTMENT PLAN

## Combining Statements of Income and Changes in Plan Equity

December 31, 1990

	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Fixed Interest Fund
<u>Total Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<b>Investment income:</b>			
Dividends	\$ 759,563	\$ 84,978	\$ 674,585
Interest	6,380,986	69,603	6,145,445
Total investment income	<u>7,140,549</u>	<u>154,581</u>	<u>840,523</u>
<b>Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants</b>	3,048,264	3,048,264	-
<b>Net (loss) on sales of common stock</b>	(1,004,609)	-	(1,004,609)
<b>Net (decrease) in unrealized appreciation of plan assets held at year end</b>	<u>(48,044,288)</u>	<u>(47,033,596)</u>	<u>(1,010,692)</u>
	<u>(38,860,084)</u>	<u>(43,830,751)</u>	<u>(1,174,778)</u>
<b>Contributions:</b>			
Participants	23,394,286	9,068,164	4,422,144
Employer	10,678,809	10,678,809	-
Total contributions	<u>34,073,095</u>	<u>19,746,973</u>	<u>4,422,144</u>
<b>Interest on participant loans</b>	384,073	349,614	7,538
<b>Participant transfers</b>	-	839,605	(796,817)
<b>Cash transferred from other plan</b>	4,587,947	422,626	692,939
Total	<u>185,031</u>	<u>(22,471,933)</u>	<u>3,151,026</u>
<b>Distributions to terminated and withdrawing participants:</b>			
Capital Cities/ABC, Inc. common stock, at market value	5,549,780	5,549,780	-
Cash	14,215,667	7,425,291	1,243,905
Total distributions	<u>19,765,447</u>	<u>12,975,071</u>	<u>1,243,905</u>
<b>Change in plan equity</b>	<u>(19,580,416)</u>	<u>(35,447,004)</u>	<u>1,907,121</u>
<b>Plan equity:</b>			
Beginning of year	<u>314,942,774</u>	<u>236,906,209</u>	<u>19,705,248</u>
End of year	<u>\$295,362,358</u>	<u>\$201,459,205</u>	<u>\$21,612,369</u>

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**CONSENT OF ERNST & YOUNG**

We consent to the incorporation by reference in the Registration Statement (Form S-8 No 33-2196) pertaining to the Capital Cities/ABC, Inc. Savings & Investment Plan and in the related Prospectus of our report dated March 15, 1993, with respect to the 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, 1992.

*Ernst & Young*

**ERNST & YOUNG**

New York, New York  
March 15, 1993

The Registrant hereby undertakes as follows, which undertakings shall be and hereby are incorporated by reference into Form S-8 Registration Statements No. 2-59014, No. 2-86863, No. 33-2196, No. 33-11806, No. 33-16206, No. 33-25918 and No. 33-33761.

### UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

The undersigned Registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 or Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered, to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

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