

SECURITIES AND EXCHANGE COMMISSION

FORM SC 14D9/A

Tender offer solicitation / recommendation statements filed under Rule 14d-9 [amend]

Filing Date: **1994-01-13**
SEC Accession No. **0000950112-94-000078**

([HTML Version](#) on secdatabase.com)

SUBJECT COMPANY

PARAMOUNT COMMUNICATIONS INC /DE/

CIK:**44482** | IRS No.: **741330475** | State of Incorporation: **DE** | Fiscal Year End: **0430**
Type: **SC 14D9/A** | Act: **34** | File No.: **005-10760** | Film No.: **94501370**
SIC: **7812** Motion picture & video tape production

Business Address
*15 COLUMBUS CIRCLE
NEW YORK NY 10023-7780
2123738000*

FILED BY

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 24
TO
SCHEDULE 14D-9
(WITH RESPECT TO THE TENDER OFFER BY VIACOM INC.)

SOLICITATION/RECOMMENDATION STATEMENT
PURSUANT TO SECTION 14(D) (4)
OF THE SECURITIES EXCHANGE ACT OF 1934

PARAMOUNT COMMUNICATIONS INC.
(NAME OF SUBJECT COMPANY)
PARAMOUNT COMMUNICATIONS INC.
(NAME OF PERSON FILING STATEMENT)
COMMON STOCK, PAR VALUE \$1.00 PER SHARE
INCLUDING THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS
(TITLE OF CLASS OF SECURITIES)

699216 10 7
(CUSIP NUMBER OF CLASS OF SECURITIES)

DONALD ORESMAN, ESQ.
PARAMOUNT COMMUNICATIONS INC.
15 COLUMBUS CIRCLE
NEW YORK, NEW YORK 10023-7780
(212) 373-8000
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED
TO RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF
OF THE PERSON FILING STATEMENT)

COPY TO:
JOEL S. HOFFMAN, ESQ.
SIMPSON THACHER & BARTLETT
425 LEXINGTON AVENUE
NEW YORK, NEW YORK 10017
(212) 455-2000

This Amendment No. 24 supplements and amends to the extent indicated herein the Solicitation/Recommendation Statement on Schedule 14D-9 of Paramount Communications Inc., as amended and restated on October 27, 1993 (as supplemented and amended through the date hereof, the "Schedule 14D-9"), initially filed with the Securities and Exchange Commission on October 25, 1993, with respect to the Viacom Offer (as described herein and therein). Capitalized terms used herein and not otherwise defined herein have the meanings ascribed to such terms in the Schedule 14D-9.

ITEM 2. TENDER OFFER OF THE BIDDER

The response to Item 2 is hereby supplemented and amended as follows:

On January 7, 1994, Viacom revised the terms of its acquisition proposal for Paramount to provide for, among other things, (i) the

amendment of the Viacom Offer (as so amended, the "Revised Viacom Offer"), which offer had provided for the purchase of approximately 51% of the outstanding Shares at a price of \$85 per Share, to (A) decrease the number of Shares to be purchased to 50.1% of the outstanding Shares plus the Shares issuable upon the exercise of the then exercisable stock options, as of the expiration of the offer, (B) increase the purchase price offered for such Shares to \$105 per Share and (C) amend certain conditions of the Viacom Offer as set forth in Viacom's Second Supplement to the Offer to Purchase dated January 7, 1994 and (ii) the amendment of the terms of the Viacom Second-Step Merger (as so amended, the "Revised Viacom Second-Step Merger"), which terms had provided for the exchange of (1) 0.20408 shares of Viacom Class A Common Stock, (2) 1.08317 shares of Viacom Class B Common Stock and (3) 0.30408 shares of Viacom Merger Preferred Stock for each remaining Share and which now provide for the exchange of (x) 0.93065 shares of Viacom Class B Common Stock and (y) 0.30408 shares of Viacom Merger Preferred Stock for each remaining Share.

ITEM 3. IDENTITY AND BACKGROUND

The response to Item 3(b) is hereby supplemented and amended as follows:

On January 11, 1994, QVC's attorneys delivered a letter to the Paramount Board alleging that the Revised Viacom Offer violated the Bidding Procedures, a copy of which letter is filed as Exhibit No. 67 to the Schedule 14D-9 and is incorporated herein by reference.

On January 12, 1994, Viacom's attorneys delivered a letter to the Paramount Board in response to QVC's allegations, a copy of which letter is filed as Exhibit No. 68 to the Schedule 14D-9 and is incorporated herein by reference.

On January 13, 1994, Paramount delivered a letter to QVC's attorneys with respect to QVC's allegations, a copy of which letter is filed as Exhibit No. 69 to the Schedule 14D-9 and is incorporated herein by reference.

On January 12, 1994, Paramount issued a press release with respect to, among other things, the Bidding Procedures, a copy of which press release is filed as Exhibit No. 70 to the Schedule 14D-9 and is incorporated herein by reference.

On January 13, 1994, Paramount's attorneys delivered a letter to QVC's attorneys and Viacom's attorneys proposing certain clarifying amendments and refinements to the Bidding Procedures that principally relate to ensuring that bids are not submitted subsequent to February 1, 1994. A copy of the letter from Paramount's attorneys is filed as Exhibit No. 71 to the Schedule 14D-9 and is incorporated herein by reference.

There are, to the best knowledge of Paramount, no material contracts, agreements, arrangements or understandings and no actual or potential conflicts of interest between Paramount or its affiliates and Blockbuster or its executive officers, directors or affiliates. Paramount has various ordinary course of business relationships with Blockbuster which are not in

the aggregate material to either Paramount or Blockbuster.

ITEM 4. THE SOLICITATION OR RECOMMENDATION

The responses to Items 4(a) and 4(b) are hereby supplemented and amended as follows:

(a) At a meeting of the Paramount Board held on January 12, 1994, the Paramount Board reviewed and considered the terms of a revised acquisition proposal (which proposal set forth the terms of the Revised Viacom Offer and the Revised Viacom Second-Step Merger) submitted by Viacom pursuant to the Bidding Procedures established by the Paramount Board and its representatives. The Paramount Board unanimously (i) recommended that stockholders reject the Revised Viacom Offer and not tender any of their Shares pursuant to the Revised Viacom Offer and (ii) reaffirmed (A) its determination that the Revised QVC Offer and the Revised QVC Second-Step Merger (such terms being referred to herein as the "Current QVC Offer" and the "Current QVC Second-Step Merger", respectively), taken together, are fair to and in the best interests of Paramount's stockholders and (B) its recommendation that holders of Shares tender such Shares pursuant to the Current QVC Offer.

Paramount's press release and letter to stockholders with respect to the Paramount Board's positions are filed as Exhibit Nos. 70 and 72, respectively, to the Schedule 14D-9 and are incorporated herein by reference.

(b) At its January 12 meeting, the Paramount Board reviewed and considered presentations from the Paramount Board's legal and financial advisors with respect to the Revised Viacom Offer and Revised Viacom Second-Step Merger, as well as the Current QVC Offer and Current QVC Second-Step Merger.

In making the determinations and recommendations set forth in paragraph (a) above, the Paramount Board gave consideration to a number of factors, including, without limitation, the following:

(i) The presentation by Lazard to the Paramount Board and its written opinion dated January 12, 1994 stating that as of such date the aggregate consideration payable to Paramount stockholders in the Current QVC Offer and the Current QVC Second-Step Merger, taken together, (A) is fair to Paramount stockholders from a financial point of view and (B) is superior from a financial point of view to the aggregate consideration payable to Paramount stockholders in the Revised Viacom Offer and the Revised Viacom Second-Step Merger, taken together. A copy of Lazard's opinion, which includes the matters considered, the assumptions made and the limits of review, is attached hereto as Annex A, is filed as Exhibit No. 73 to the Schedule 14D-9 and is incorporated herein by reference. The discussion herein of Lazard's opinion is qualified in its entirety by reference to the full text of such opinion. Stockholders are urged to read such opinion in its entirety.

(ii) The Paramount Board's determination, taking into account Lazard's presentation and written opinion, that, although the per Share

cash consideration offered in the Revised Viacom Offer is higher than that offered in the Current QVC Offer, the aggregate consideration offered in the Current QVC Offer and the Current QVC Second-Step Merger, taken together, represents the best value available under the circumstances to Paramount stockholders.

(iii) The terms and provisions of the QVC Merger Agreement, including the following:

(A) The Bidding Procedures incorporated in the QVC Merger Agreement (and in Viacom's Exemption Agreement) that enable the Paramount Board and Paramount stockholders to consider any better offers for Paramount that may develop for a reasonable period following the Paramount Board's reaffirmation of its recommendation that holders of Shares tender such Shares pursuant to the Current QVC Offer. These procedures are designed to remove the coercive element from any offer by QVC or

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Viacom and to provide stockholders with a meaningful choice between a tender offer from QVC or Viacom.

(B) Paramount's right to terminate the QVC Merger Agreement in order to accept a transaction that offers better value.

(C) The absence of any stock option, asset lock-up, termination fee, expense reimbursements or other provisions that could deter a higher offer for Paramount.

(iv) The conditions to the Current QVC Offer and the Paramount Board's determination that all such conditions have been satisfied or can reasonably be expected to be satisfied by the expiration date of the Current QVC Offer.

ITEM 6. RECENT TRANSACTIONS AND INTENT WITH RESPECT TO SECURITIES

The response to Item 6(b) is hereby amended and restated to read in its entirety as follows:

(b) To the best knowledge of Paramount, (i) none of its executive officers, directors, affiliates and subsidiaries presently intends to tender Shares to Viacom pursuant to the Revised Viacom Offer, and (ii) none of its executive officers, directors, affiliates or subsidiaries has determined whether such person presently intends to sell any Shares which are owned beneficially or held of record by such person; provided that executive officers obtaining Shares upon the exercise subsequent to the commencement of the original QVC Offer or the original Viacom Offer of stock options presently intend to sell Shares issued upon exercise of such options in the open market. The foregoing does not include any Shares over which, or with respect to which, any such executive officer, director, affiliate or subsidiary acts in a fiduciary or representative capacity or is subject to instructions from a third party with respect to such tender.

ITEM 7. CERTAIN NEGOTIATIONS AND TRANSACTIONS BY THE SUBJECT COMPANY

The responses to Items 7(a) and 7(b) are hereby supplemented and amended as follows:

(a) After receipt of the Revised Viacom Offer, Paramount's advisors held discussions with QVC and Viacom.

Except as described above or in Items 3(b) or 4, Paramount does not presently intend to undertake any negotiation in response to the Revised Viacom Offer which relates to or would result in: (i) an extraordinary transaction, such as a merger or reorganization, involving Paramount or any subsidiary of Paramount; (ii) a purchase, sale or transfer of a material amount of assets by Paramount or any subsidiary of Paramount; (iii) a tender offer or other acquisition of securities by Paramount; or (iv) any material change in the present capitalization or dividend policy of Paramount.

(b) Reference is made to the letters filed as Exhibit Nos. 67, 68, 69 and 71, respectively, to the Schedule 14D-9, which letters are incorporated herein by reference. In addition, reference is made to Paramount's press release filed as Exhibit No. 70 to the Schedule 14D-9, which press release is incorporated herein by reference.

Except as described above or in Items 3(b) or 4, there are no transactions, board resolutions, agreements in principle or signed contracts in response to the Revised Viacom Offer which relate to or would result in one or more of the matters referred to in Item 7(a).

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ITEM 9. MATERIAL TO BE FILED AS EXHIBITS

The response to Item 9 is hereby supplemented and amended to add the following:

<TABLE>	<S>	<C>
Exhibit 67	--Letter from Wachtell, Lipton, Rosen & Katz to the Paramount Board dated January 11, 1994.	
Exhibit 68	--Letter from Shearman & Sterling to the Paramount Board dated January 12, 1994.	
Exhibit 69	--Letter from Paramount to Wachtell, Lipton, Rosen & Katz dated January 13, 1994.	
Exhibit 70	--Press Release issued by Paramount on January 12, 1994.	
Exhibit 71	--Letter from Simpson Thacher & Bartlett to Shearman & Sterling and Wachtell, Lipton, Rosen & Katz dated January 13, 1994.	
Exhibit 72	--Letter to Stockholders of Paramount dated January 13, 1994 with respect to the Current QVC Offer and the Revised Viacom Offer.	
Exhibit 73	--Opinion of Lazard dated January 12, 1994.	

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

PARAMOUNT COMMUNICATIONS INC.

By DONALD ORESMAN
.....
Name: Donald Oresman
Title: Executive Vice President

Dated: January 13, 1994

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ANNEX A

Lazard Freres & Co.
One Rockefeller Plaza
New York, N.Y. 10020

Telephone (212) 632-6000
Facsimile (212) 632-6060

January 12, 1994

The Board of Directors
Paramount Communications Inc.
15 Columbus Circle
New York, NY 10023-7780

Dear Members of the Board:

We refer to our written opinions to you set forth in the letter, dated December 21, 1993 (the "December 21, 1993 Letter"). You have requested our opinion, as of this date, as to whether the QVC Transaction Consideration (as defined below) is superior from a financial point of view to the Viacom Transaction Consideration (as defined in the December 21, 1993 Letter), as amended by Viacom on January 7, 1994 pursuant to the Viacom Proposal (as defined below).

As stated in the December 21, 1993 Letter, we understand that the proposed acquisition by QVC Network, Inc. ("QVC") of all of the outstanding shares of common stock (the "Common Stock") of Paramount Communications Inc. ("Paramount") by means of a cash tender offer (the "QVC Offer") by QVC, followed by a proposed second-step merger of Paramount and QVC (the "QVC Second-Step Merger"; collectively with the QVC Offer, the "QVC Two-Step Transaction") is to be effected pursuant to the Agreement and Plan of Merger, dated as of December 22, 1993, between QVC and Paramount (the "QVC Merger Agreement"), whereby (i) QVC is offering to purchase 61,607,894 shares of Common Stock, or such greater number as equals 50.1% of the outstanding shares of Common Stock, at a purchase price of \$92.00 per share in cash, and (ii) following completion of the QVC Offer, Paramount would be merged into QVC in the QVC Second-Step Merger, and each share of Common Stock not purchased in the QVC Offer (other than shares of Common Stock held in the treasury of Paramount or owned by Paramount or any direct or indirect wholly-owned subsidiary of Paramount or QVC) would be converted into the right to receive (a) 1.43 shares of common stock of QVC (the "QVC Common Stock"), (b) 0.32 shares of a new series 6% cumulative non-convertible exchangeable preferred stock of QVC (the "QVC Merger Preferred Stock") and (c) 0.32 warrants to purchase one

share of QVC Common Stock at a price of \$70.34 per share, exercisable at any time by the holder prior to the tenth anniversary of the QVC Second-Step Merger (the "Warrants") (the

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aggregate consideration payable to holders of Common Stock (the "Stockholders") pursuant to the QVC Offer set forth in clause (i) and the aggregate consideration payable to Stockholders pursuant to the QVC Second-Step Merger set forth in subclauses (a), (b) and (c) of clause (ii) is collectively referred to as the "QVC Transaction Consideration"). We also understand that the QVC Merger Agreement provides that the QVC Merger Preferred Stock will pay cumulative quarterly dividends at a rate of \$3.00 per annum per share, will have a liquidation preference of \$50.00 per share, will be redeemable for cash by QVC at declining redemption premiums on and after the fifth anniversary of the QVC Second-Step Merger and will be exchangeable by QVC into QVC's 6% subordinated debentures (the "QVC Debentures") at an exchange rate of \$50.00 principal amount of QVC Debenture per share of QVC Merger Preferred Stock on and after the third anniversary of the QVC Second-Step Merger. In addition, we understand that the Warrants will be exercisable with cash or by using an equivalent amount of liquidation preference of QVC Merger Preferred Stock or principal amount of QVC Debentures and will be redeemable for cash by QVC, at its option, at \$15.00 per Warrant on and after the fifth anniversary of the QVC Second-Step Merger.

In addition, we understand that, as set forth in (i) the written proposal submitted to Paramount by Viacom on January 7, 1994 and (ii) Amendment Number 20 to the Tender Offer Statement on Schedule 14D-1 filed by Viacom Inc. ("Viacom"), National Amusements, Inc., Mr. Sumner M. Redstone and Blockbuster Entertainment Corporation ("Blockbuster") with the Securities and Exchange Commission on January 7, 1994, including the Agreement and Plan of Merger, dated as of January 7, 1994 (the "Blockbuster Merger Agreement"), between Blockbuster and Viacom and the Subscription Agreement (the "Blockbuster Subscription Agreement"), dated January 7, 1994, between Viacom and Blockbuster (the "Viacom Tender Offer Statement") (collectively, the "Viacom Proposal"), Viacom amended the terms of the cash tender offer (the "Viacom Offer") that it had commenced on October 25, 1993. Under the Viacom Proposal, (a) Viacom is offering in the Viacom Offer to purchase 61,607,894 shares of Common Stock, or such greater number as equals 50.1% of the outstanding shares of Common Stock, at a purchase price of \$105.00 per share in cash, and (b) following completion of the Viacom Offer, in accordance with the form of Agreement and Plan of Merger, between Viacom and Paramount (the "Form Viacom Merger Agreement") that is attached to the Exemption Agreement, dated December 22, 1993, between Viacom and Paramount (the "Viacom Exemption Agreement"), Paramount would be merged into Viacom in the proposed second-step merger between Viacom and Paramount (the "Viacom Second-Step Merger"; collectively with the Viacom Offer, the "Viacom Two-Step Transaction"), and each share of Common Stock not purchased in the Viacom Offer (other than shares of Common Stock held in the treasury of Paramount or owned by Paramount or any direct or indirect wholly-owned subsidiary of Paramount or Viacom) would be converted into the right to receive (1) 0.93065 shares of Class B common stock of Viacom (the "Viacom Class B Common Stock") and (2) 0.30408 shares of a new series of Viacom cumulative convertible exchangeable preferred stock (the

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"Viacom Merger Preferred Stock") (the aggregate consideration payable to Stockholders pursuant to the Viacom Offer set forth in clause (a) and the aggregate consideration payable to Stockholders pursuant to the Viacom Second-Step Merger set forth in subclauses (1) and (2) of clause (b) is collectively referred to as the "Amended Viacom Transaction Consideration").

Lazard Freres & Co. has from time to time acted as financial advisor to Paramount and has acted as its financial advisor in connection with proposed Viacom Two-Step Transaction and proposed QVC Two-Step Transaction. As you know, a General Partner of our firm is a member of Paramount's Board of Directors. In addition, we have from time to time in the past provided, and we are currently providing, in matters unrelated to Paramount, financial advisory or financing services to one or more of the respective equity investors in Viacom and QVC, or persons engaged in pending transactions with one or more of such investors, and we have received, or expect to receive, fees for the rendering of such services. In connection with our opinions set forth in this letter, we have, among other things:

(i) reviewed the terms and conditions of (a) the written proposal submitted by QVC on December 20, 1993, Amendment Number 21 to the Tender Offer Statement Schedule 14-D1 filed by QVC on December 23, 1993, and the QVC Merger Agreement (including the form Exemption Agreement between QVC and Paramount attached thereto) and (b) the Viacom Proposal, the Viacom Tender Offer Statement and the Viacom Exemption Agreement (including the Form Viacom Merger Agreement attached thereto);

(ii) reviewed the terms and conditions of the Blockbuster Merger Agreement and the Blockbuster Subscription Agreement and analyzed the Viacom Proposal both with and without giving effect to the consummation of the proposed merger between Viacom and Blockbuster contemplated by the Blockbuster Merger Agreement;

(iii) analyzed certain historical business and financial information relating to Paramount, Viacom, QVC and Blockbuster, including (a) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Paramount for each of the fiscal years ended October 31, 1988 through 1992, the Transaction Report on Form 10-K of Paramount for the period from November 1, 1992 through April 30, 1993 and Quarterly Reports on Form 10-Q of Paramount for the quarters ended January 31, April 30 and July 31 for each of the same fiscal years and for the quarters ended January 31, April 30, July 31 and October 31, 1993, (b) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Viacom for each of the fiscal years ended December 31, 1988 through 1992, and Quarterly Reports on Form 10-Q of Viacom for the quarters ended March 31, June 30 and September 30 for each of the same fiscal years, and for the quarters ended March 31, June 30, and September 30, 1993, (c) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of QVC for each of the fiscal years ended January 31, 1989 through 1993, and Quarterly Reports on Form 10-Q

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of QVC for the quarters ended April 30, July 31 and October 31 for each of the same fiscal years, and for the quarters ended April 30, July 31 and October 31, 1993 and (d) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Blockbuster for each of the fiscal years ended December 31, 1988 through 1992, and Quarterly Reports on Form 10-Q of Blockbuster for the quarters ended March 31, June 30 and September 30 for each of the same

fiscal years, and for the quarters ended March 31, June 30, and September 30, 1993;

(iv) reviewed certain financial forecasts and other data provided to us by Paramount, Viacom, QVC and Blockbuster relating to their respective businesses (except in the case of Paramount, financial forecasts for fiscal year 1993 only, having been advised that Paramount has not prepared projections beyond fiscal year 1993);

(v) conducted discussions with members of the senior management of Paramount, Viacom, QVC and Blockbuster with respect to the business and prospects of Paramount, Viacom, QVC and Blockbuster and the strategic objectives of each;

(vi) reviewed public information with respect to certain other companies in lines of businesses we believe to be comparable to the businesses of Paramount, Viacom, QVC and Blockbuster;

(vii) reviewed the financial terms of certain business combinations involving companies in lines of business we believe to be comparable to those of Paramount, Viacom, QVC and Blockbuster, and in other industries generally;

(viii) reviewed the historical stock prices and trading volumes of the Common Stock, Viacom Class B Common Stock, QVC Common Stock and shares of common stock of Blockbuster;

(ix) reviewed the procedures for bidding set forth in the QVC Merger Agreement and the Viacom Exemption Agreement, in particular noting the respective provisions therein providing for the extension of the QVC Offer or the Viacom Offer, as applicable, for 10 business days upon delivery of a Completion Certificate (referred to in the QVC Merger Agreement or the Viacom Exemption Agreement, as applicable) by QVC or Viacom, as applicable; and

(x) conducted such other financial studies, analyses and investigations as we deemed appropriate.

We have assumed and relied upon the accuracy and completeness of the financial and other information provided by Paramount, Viacom and QVC to us, and on the representations contained in the QVC Merger Agreement, and we have not undertaken any independent verification of such information or any independent valuation or appraisal of any of the assets of Paramount, Viacom or QVC. With respect to the financial forecasts referred to above, we have assumed that they have been reasonably prepared on a basis

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reflecting the best currently available judgements of the managements of Paramount, Viacom and QVC as to the future financial performance of Paramount, Viacom and QVC, respectively. In addition, we have assumed that the Viacom Proposal was made in compliance with the terms and conditions of the Viacom Exemption Agreement. Further, our opinions are based on economic, monetary and market conditions existing on this date.

We have not reviewed any proxy statement or similar document that may be prepared for use in connection with the proposed QVC Two-Step Transaction. In accordance with the Procedures for Submissions of Proposals established by Paramount's Board of Directors on December 13, 1993, Paramount's Board of Directors on December 13, 1993, Paramount's Board of Directors has authorized us to respond to inquiries with respect to Paramount from prospective

bidders (in addition to QVC and Viacom) and to receive proposals from additional bidders, if any. We have not, however, solicited third party indications of interest in acquiring all or any part of Paramount.

As part of our analysis, we have continued to evaluate the transactions, as we have in the past, not only on the basis of current market values but also applying other financial valuation methodologies generally applicable to transactions of this type. These financial valuation methodologies produced conflicting results and accordingly were inconclusive in the aggregate as to the superiority from a financial point of view of one proposal over the other and do not in our opinion justify disregarding the significantly higher market valuation of the QVC Transaction Consideration.

Our engagement and the opinions expressed herein are solely for the benefit of Paramount's Board of Directors and are not on behalf of, and are not intended to confer rights or remedies upon, Viacom, QVC, any stockholders of Paramount, Viacom or QVC or any other person other than Paramount's Board of Directors.

Based on and subject to the foregoing and such other factors as we deemed relevant, including our assessment of economic, monetary and market conditions existing on the date of this letter, we are of the opinion that, as of this date, (i) the QVC Transaction Consideration is fair to the Stockholders from a financial point of view and (ii) the QVC Transaction Consideration is superior to the Amended Viacom Transaction Consideration from a financial point of view.

Very truly yours,

/s/ Lazard Freres & Co.

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EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT	DESCRIPTION	PAGE NO.
<S>	<C>	<C>
1 *	Pages 5, 6 and 10-20 of Paramount's Proxy Statement dated January 29, 1993 for its 1993 Annual Meeting of Stockholders.	
2 *	Employment Agreement with Robert Greenberg, a senior vice president of Paramount, dated as of April 5, 1993.	
3 *	Amended and Restated Agreement and Plan of Merger, dated as of October 24, 1993, between Paramount and Viacom.	
4 *	Stock Option Agreement, dated as of September 12, 1993, as amended on October 24, 1993, between Paramount and Viacom.	
5 *	Voting Agreement, dated as of September 12, 1993, as amended on October 24, 1993, between Paramount and Amusements.	
6 *	Press Release issued on October 24, 1993.	
7 *	Letter to Stockholders of Paramount dated October 25, 1993.	
8 *	Press Release issued on November 6, 1993.	
9 *	Letter to Stockholders of Paramount dated November 8, 1993 with respect to the Viacom Offer.	

- 10 * Amendment No. 1, dated as of November 6, 1993, to the Amended and Restated Agreement and Plan of Merger, dated as of October 24, 1993, between Paramount and Viacom.
- 11 * Letter to Stockholders of Paramount dated November 8, 1993 with respect to the QVC Offer.
- 12 * Press Release issued by Viacom on November 12, 1993.
- 13 * Press Release issued on November 15, 1993.
- 14 * Letter to Stockholders of Paramount dated November 16, 1993 with respect to the QVC Offer.
- 15 * Press Release issued by Viacom on November 19, 1993.
- 16 * Press Release issued by QVC on November 20, 1993.
- 17 * Press Release issued by Viacom on November 22, 1993.
- 18 * Press Release issued by QVC on November 22, 1993.
- 19 * Press Release issued by Viacom on November 23, 1993.
- 20 * Press Release issued by QVC on November 23, 1993.
- 21 * Press Release issued by Viacom on November 24, 1993.
- 22 * Press Release issued by QVC on November 24, 1993.
- 23 * Memorandum Opinion in QVC Network, Inc. v. Paramount Communications Inc., et al., Civ. Action No. 13208 (Del. Ch. November 24, 1993).
- 24 * Preliminary Injunction Order in QVC Network, Inc. v. Paramount Communications Inc., et al., Civ. Action No. 13208 (Del. Ch. November 24, 1993).
- 25 * Press Release issued by Paramount on November 24, 1993.
- 26 * Press Release issued by Viacom on November 24, 1993.
- 27 * Press Release issued by Viacom on November 26, 1993.
- 28 * Press Release issued by Viacom on November 29, 1993.
- 29 * Order of the Delaware Supreme Court dated November 29, 1993.
- 30 * Press Release issued by QVC on December 1, 1993.
- 31 * Revised Memorandum Opinion in QVC Network, Inc. v. Paramount Communications Inc., et al., Civ. Action No. 13208 (Del. Ch. November 24, 1993).

</TABLE>

 *Previously filed.

<TABLE>
 <CAPTION>

EXHIBIT	DESCRIPTION	PAGE NO.
-----	-----	-----
<S>	<C>	<C>
32 *	Press Release issued by Viacom on December 9, 1993.	
33 *	Press Release issued by Paramount on December 9, 1993.	
34 *	Press Release issued by QVC on December 10, 1993.	
35 *	Order in Paramount Communications Inc., et al. v. QVC Network, Inc., Civ. Action No. 13208 (Del. December 9, 1993).	
36 *	Press Release issued by QVC on December 9, 1993.	
37 *	Letter from Richards, Layton & Finger to Vice Chancellor Jack B. Jacobs of the Delaware Court of Chancery dated December 10, 1993.	
38 *	Bidding Procedures of Paramount dated December 14, 1993.	
39 *	Press Release issued by Paramount on December 14, 1993.	
40 *	Letter to Stockholders of Paramount dated December 14, 1993 with respect to the Viacom Offer and the QVC Offer.	
41 *	Press Release issued by Viacom on December 14, 1993.	
42 *	Press Release issued by QVC on December 14, 1993.	
43 *	Letter from Wachtell, Lipton, Rosen & Katz to Lazard dated December 14, 1993.	
44 *	Letter from Simpson Thacher & Bartlett to Wachtell, Lipton, Rosen & Katz dated December 15, 1993.	
45 *	Press Release issued by Paramount on December 15, 1993.	
46 *	Press Release issued by QVC on December 16, 1993.	
47 *	Letter from the Delaware Chancery Court to Young, Conaway,	

Stargatt & Taylor; Richards, Layton & Finger; Morris & Morris; and Morris, Nichols, Arsht & Tunnell dated December 14, 1993.

48 * Revised pages to the Memorandum Opinion in QVC Network, Inc. v. Paramount Communications Inc., et al., Civ. Action No. 13208 (Del. Ch. November 24, 1993).

49 * Letter from Shearman & Sterling to Lazard dated December 15, 1993.

</TABLE>

<TABLE>

<S> <C> <C>

50 * Letter from Simpson Thacher & Bartlett to Shearman & Sterling dated December 16, 1993.

51 * Letter from Simpson Thacher & Bartlett to Wachtell, Lipton, Rosen & Katz dated December 17, 1993.

52 * Press Release issued by Paramount on December 20, 1993.

53 * Press Release issued by Paramount on December 22, 1993.

54 * Press Release issued by QVC on December 22, 1993.

55 * Notice of Termination dated December 22, 1993 delivered by Paramount to Viacom.

56 * Exemption Agreement, dated as of December 22, 1993, between Viacom and Paramount.

57 * Letter to Stockholders of Paramount dated December 23, 1993 with respect to the Revised QVC Offer and the Viacom Offer.

58 * Opinion of Lazard dated December 21, 1993.

59 * Agreement and Plan of Merger, dated as of December 22, 1993, between Paramount and QVC.

60 * Voting Agreement dated December 22, 1993 among BellSouth Corporation, Comcast Corporation, Cox Enterprises, Inc., Advance Publications, Inc. and Arrow Investments, L.P.

61 * First Amendment, dated as of December 27, 1993, to Agreement and Plan of Merger, dated as of December 22, 1993, between Paramount and QVC.

</TABLE>

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*Previously filed.

<TABLE>

<CAPTION>

EXHIBIT DESCRIPTION PAGE NO.

- - - - -

<S> <C> <C>

62 * Press Release issued by Viacom on January 7, 1994.

63 * Press Release issued by Viacom on January 9, 1994.

64 * Press Release issued by Paramount on January 7, 1994.

65 * Press Release issued by QVC on January 7, 1994.

66 * Press Release issued by QVC on January 10, 1994.

67 Letter from Wachtell, Lipton, Rosen & Katz to the Paramount Board dated January 11, 1994.

68 Letter from Shearman & Sterling to the Paramount Board dated January 12, 1994.

69 Letter from Paramount to Wachtell, Lipton, Rosen & Katz dated January 13, 1994.

70 Press Release issued by Paramount on January 12, 1994.

71 Letter from Simpson Thacher & Bartlett to Shearman & Sterling and Wachtell, Lipton, Rosen & Katz dated January 13, 1994.

72 Letter to Stockholders of Paramount dated January 13, 1994 with respect to the Current QVC Offer and the Revised Viacom Offer.

73 Opinion of Lazard dated January 12, 1994.

</TABLE>

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*Previously filed.

Wachtell, Lipton, Rosen & Katz

January 11, 1994

The Board of Directors
Paramount Communications Inc.
15 Columbus Circle
New York, NY 10023

Ladies and Gentlemen:

The eleventh-hour offer by Blockbuster/Viacom announced Friday afternoon blatantly violates the terms of the bidding procedures established by the Paramount Board and agreed to by QVC and Viacom. It is incumbent upon the Paramount Board to take appropriate action, consistent with its agreements with QVC and Viacom, to enforce the bidding procedures. Both QVC and the Paramount stockholders are entitled to such action by the Board.

It is evident, and indeed Viacom has in effect admitted, that the new Blockbuster/Viacom offer was announced -- not as a bona fide competitive offer -- but primarily to extend QVC's offer and to prevent QVC from receiving at least 50.1% of the Paramount common stock before the expiration of its offer on Friday, January 7. Such action is expressly prohibited by the agreements entered into by the parties, see Viacom-Paramount Exemption Agreement, Section

2.01(a), and represents a bad faith, cynical and manipulative scheme to abuse the bidding process. Thus:

1. Blockbuster and Viacom announced their new offer only minutes before the close of the market on Friday, January 7, only hours before QVC's offer was set to expire.
2. The purposeful, grossly front-end-loaded nature of the Blockbuster/Viacom offer at that late hour created inevitable confusion in the market. Moreover, Viacom

compounded the confusion by causing the premature cessation of trading in its own shares and falsely representing to the marketplace that "QVC would also be required to extend its offer to expire no earlier than" January 21. By virtue of the fact that Viacom's offer was in breach of the parties' agreements, QVC was not so obligated. See QVC-Paramount Merger Agreement, Section

2.1(d) and (e). As described yesterday in The New York

Times, Viacom's tactic of a last-minute announcement and

the heavily front-end-loaded offer produced "the power of a misleading headline" for an offer whose blended value "was clearly less than the value of the QVC offer." It is plain that Viacom's abusive and misleading tactics deterred stockholders from tendering into QVC's superior offer before the midnight deadline and was expressly intended to do so.

3. Indeed, in a teleconference with analysts, Viacom was obliged to concede that the then - \$79.23 blended value of its offer (by Viacom's own estimate) was substantially lower than the approximate \$84.66 value of QVC's bid as of the market close on that day. Market activity since then has confirmed QVC's recognition that not only is the new offer lower than QVC's (by, as of close of market today, approximately \$720 million or \$5.88 per Paramount share), but it is not even worth more than Viacom's own prior offer.

4. According to published reports, on Saturday, January 8, the President and Chief Executive Officer of Viacom admitted the true purpose of the new offer when he stated to Reuters that the Blockbuster/Viacom offer was nothing more than "essentially a re-jigging of Viacom's previous bid"; that the Blockbuster/Viacom offer reflects Paramount's "full value"; and that "Paramount was not worth more than current bid levels."

The bidding procedures agreed upon by the parties were designed to obtain higher -- not lower -- values for Paramount stockholders, while assuring fairness between the competing bidders. Viacom's conduct makes a mockery of these procedures: on the first deadline, December 20, 1993, Viacom declined to raise noticeably its earlier offer -- albeit that

offer was plainly lower than QVC's outstanding offer; on the second deadline, Viacom bid lower, not higher. Viacom's

tactics have been designed solely to prolong the bidding process, forestall QVC's rightful victory and delay the receipt of value by Paramount stockholders. Neither Paramount, QVC, nor Paramount's public stockholders obtain any benefit from the "re-jigging" of an already-inferior offer, and the costs and risks of delay in consummating the QVC-Paramount merger are significant.

In stark contrast to Viacom's conduct, throughout this bidding process QVC has consistently complied with both the letter and spirit of the bidding procedures -- by submitting a substantially increased bid on December 20 and, now, by further extending its offer so that the Minimum Condition may be met.

Viacom is in breach of its contract with Paramount and its conduct is wrongful both to QVC and to the Paramount stockholders. QVC requests that the Paramount Board at its meeting tomorrow take appropriate action:

1. Confirming the Board's unanimous recommendation to Paramount stockholders that the QVC offer and second-step merger are fair to and in the best interests of Paramount stockholders and that Paramount stockholders accept QVC's offer;
2. Declaring that the new Viacom offer is in breach of the Exemption Agreement between Paramount and Viacom and

disentitles Viacom to the rights it otherwise would have under that agreement;

3. Confirming -- at a minimum -- that Viacom will not

be permitted to gain an improper advantage from having wrongfully made an offer "primarily to extend the expiration date" of QVC's offer; that no new Viacom offer

during this extension period will operate to place any obligation on QVC to further extend its offer prior to receiving 50.1% of Paramount stock; and that the Paramount stockholders are assured that, if by midnight,

January 21, 1994, they choose to tender 50.1% or more of Paramount shares into the QVC offer, that offer will be successful and stockholders will not be further delayed in obtaining value; and

4. In light of the cynical massive front-end loading of Viacom's current offer and to protect Paramount stockholders from further exacerbation of the improper front-end loading, declaring that the Paramount Board will not consider any further Viacom offer unless such offer redresses the imbalance.

QVC expressly reserves all of its rights under the circumstances, including the right to seek judicial redress and to withdraw its offer pursuant to its terms and the terms of the merger agreement. QVC and its advisors remain available to discuss any of the foregoing with the Paramount Board or its advisors.

Very truly yours,

/s/ Martin Lipton

Martin Lipton

SHEARMAN & STERLING

January 12, 1994

The Board of Directors
Paramount Communications Inc.
15 Columbus Circle
New York, NY 10023

Ladies and Gentlemen:

Yesterday's letter from Wachtell Lipton, on behalf of QVC, to the Paramount Board was a transparent attempt to tilt the playing field in its favor and to eliminate the ability of Paramount's stockholders to make an informed choice between the Viacom and QVC offers.

On January 7, Viacom increased the cash price of its tender offer to Paramount stockholders by over \$1.1 billion, or more than \$800 million more in cash than under QVC's offer. In full compliance with the bidding procedures agreed to by Paramount, Viacom and QVC, and as required by federal securities laws, Viacom also extended the expiration date of its tender offer until January 21. Now QVC, through a disingenuous press campaign and by seeking inappropriately to pressure you, is seeking to change the rules to suit its own purposes.

Viacom's January 7 proposal represents in Viacom's opinion a substantial improvement for Paramount stockholders. Viacom increased the cash in its first step tender offer from \$85 to \$105 per share, or by over \$1.1 billion, while reducing the value (based on January 6 closing prices) of the common stock offered in the second step by \$900 million. This represents an improvement in the blended value of the transaction, based on market prices, of approximately \$200 million, or \$1.60 per share. This was accomplished by agreeing to sell Blockbuster approximately 22.7 million shares of Class B Common Stock at \$55 per share, reflecting Viacom's and Blockbuster's view of the unaffected trading value of the Class B Common Stock, and providing to Paramount shareholders the benefit of the increased cash value of \$55 per share paid by Blockbuster. Equally important, Viacom dramatically increased the certainty of the value of the consideration offered in the transaction by increasing the cash component of the blended value, based on market prices, from about 55% to about 65%. This reduces

impact of short-term and deal-influenced price fluctuations on the overall value of the transaction. In addition, the preferred stock remained in place and in Viacom's view should benefit from the strengthening of Viacom's balance sheet and diversification of cash flows to be realized by combining Viacom, Blockbuster and Paramount.

In addition to the specific changes to the offer outlined above, Viacom and Blockbuster agreed to merge, creating a premiere entertainment company which Viacom believes will significantly enhance the value to Paramount of merging with Viacom. Indeed, it is clear to Viacom that the combination of the three companies will create an even more diversified company than the Viacom and Paramount combination considered alone, with greater financial flexibility and stability of cash flows and the resources necessary to enable the combined companies to continue to compete successfully in the quickly evolving entertainment industry. A Viacom-Blockbuster-Paramount combination is in Viacom's view an international powerhouse which should ultimately be reflected in shareholder value.

Viacom firmly believes that its current proposal to acquire Paramount is demonstrably superior to QVC's proposal. Attached to this letter is Smith Barney's summary analysis supporting this conclusion. Viacom believes that its Class B Common Stock currently is significantly undervalued, and that calculating the value of its offer for Paramount based on current trading values therefore significantly understates its inherent value. Viacom also believes that the value Paramount stockholders will ascribe to the Viacom proposal should not be, and ultimately will not be, determined based upon trading values created by short-term trading interests, the superficial press analyses on which QVC prefers to rely, or QVC's campaign of disinformation. Rather, Viacom believes that stockholders will assess (and that the Board in the exercise of its fiduciary responsibilities should also assess) Viacom's offer based on the higher percentage of cash offered and an assessment of the likely long-term trading values of Viacom's and QVC's securities on an unaffected basis following completion of the respective transactions. Viacom is confident

that stockholders, once they understand the facts, will conclude that Viacom is offering superior overall value.

Accordingly, it is ludicrous for QVC to suggest that Viacom's January 7 offer was made primarily or otherwise to extend the expiration date of QVC's offer in violation of the agreed bidding procedures. In any event, Viacom's management has confirmed to me unequivocally that this was not the case.

3

QVC claims that Viacom's announcement of its offer on January 7 was "abusive and misleading," because it was announced on Friday afternoon and because the proposal is "front-end-loaded".

QVC's rhetoric aside, it is important to set the record straight:

1. The bidding procedures were agreed to by each of Viacom and QVC and, as the Board is aware, were based primarily on the procedures requested by QVC.

2. Under the bidding procedures agreed to by QVC, Viacom was entitled to raise its offer at any time up until midnight on January 7, in which event QVC was required to extend its offer. In fact, Viacom announced its offer immediately after finalizing its agreements with Blockbuster, following several days of around-the-clock negotiations. Viacom has complied fully with the bidding procedures.

3. QVC complains that Viacom's offer is "front-end-loaded." In fact, Viacom and QVC are offering cash for the exact same percentage of shares of Paramount (50.1% of the outstanding shares, plus exercisable options). No doubt it concerns QVC that by offering cash for the same percentage of shares as QVC, Viacom has illustrated the significant difference in the cash offered under the two proposals. The cash advantage afforded to

Paramount stockholders by the Viacom proposal is \$105 compared to \$92 for 50.1% of the Paramount shares, or \$52.50 compared to \$46 per share considered on a blended basis. The Paramount board, in establishing the bidding procedures, expressed a preference for cash. QVC itself previously touted its cash advantage. We believe

Paramount's stockholders will now find the cash differential in favor of Viacom to be compelling, given the certainty of the value of cash as compared to the recent deal-driven volatility in the trading values of the securities offered in the two transactions.

4. The Viacom offer is not coercive. The proration

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rules of the offer, when combined with the "pourover" provisions of the bidding procedures, ensure that all shareholders will have a full opportunity to tender into the winning offer and participate in the cash portion of the transaction. We would remind the Board that QVC specifically proposed the pourover provisions as a method of ensuring that neither offer would be coercive.

4

5. QVC contrasts its conduct under the bidding procedures with Viacom's by claiming it submitted a "substantially increased bid on December 20..." However, we would point out to the Board that the \$2 per share cash increase in QVC's December 20 offer, misleadingly ascribed to its not paying Viacom's \$100 million termination fee, in fact primarily resulted from its slipping in a reduction of its minimum condition from 51% to 50.1% (freeing up approximately \$100 million in cash). On January 7, Viacom simply matched QVC's minimum condition, to allow Paramount stockholders to compare "apples to apples".

Based upon its mischaracterizations of Viacom's January 7 offer, QVC urges the Board to declare that Viacom's offer is in violation of the Exemption Agreement, so that Viacom would no longer be entitled to the rights it would otherwise have under that agreement. QVC also seeks other unilateral changes to the bidding procedures, changes which we can only assume it believes will increase the likelihood that it will prevail with its offer. In effect, QVC is seeking to have itself declared the "winner", and even refers to its "rightful victory".

However, the issue is not QVC's "right" to victory, for it has no such "right" independent of the Paramount stockholders' best interests. The real issue is whether the

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Paramount stockholders will be permitted to choose which offer

is superior, as contemplated by the bidding procedures.

In contrast to QVC, Viacom seeks no special treatment. We are not seeking changes to the bidding procedures which could give Viacom an advantage. We are not threatening to drop our offer or to pursue litigation against Paramount, as has QVC.

We will continue to play by the rules. And most

importantly, we will continue to exhort the Board to abide by

the bidding procedures so that stockholders can decide which offer to accept. We believe the Board should be and will continue to be guided by this overriding principle. Viacom and its advisors are available to discuss our offer or any of the foregoing issues with the Paramount Board or its advisors.

Very truly yours,

/s/ Stephen R. Volk

Stephen R. Volk

SMITH BARNEY SHEARSON ADDENDUM

I. Viacom's Revised Offer Is Substantially Improved

- . Viacom significantly increased the cash portion of its bid
 - Increased from \$85/share to \$105/share
 - A total increase of over \$1.1 billion
- . Viacom greatly increased the certainty of the value of its bid
 - Cash now represents 65% vs. 55% under its previous bid
 - Any short term stock price fluctuation will have less impact
- . Viacom's blended offer improved by approximately \$194 million or \$1.58/share

REVISED

PREVIOUS

	-----	Exchange	Value	-----	Exchange	Value
	%	Ratio	Value	%	Ratio	Value
	---	-----	-----	---	-----	-----
Cash	50.1%	\$105	\$52.61	51%	\$85	\$43.35
VIA (\$47.875) *	49.9%	.00000	0.00	49%	.20408	4.79
VIAB (\$43.500) *	49.9%	.93065	20.20	49%	1.08317	23.09
Conv. Pref.	49.9%	.30408	7.59	49%	.30408	7.59
			-----			-----
			\$80.40			\$78.82

* Price as of 1/6/94 close

II. Viacom's Announced Merger with Blockbuster Adds Significant Value to a Viacom/Paramount Merger

- . Blockbuster is an extremely well run high growth company
 - largest retailer of home video products in the world
 - leading national brand
 - expected goal to become the largest U.S. music retailer in 1994
 - distributor of filmed entertainment through Spelling and Republic pictures
 - significant growth expected in entertainment centers (Discovery Zone)
- . Wayne Huizenga, Steve Berrard and their management team will provide significant additional management strength for the combined companies.
- . Wall Street analysts are extremely positive on Blockbuster as shown by the most recent research reports.

Date	Firm	Rating
----	----	-----
11/30/93	Robertson Stephens	Buy/Hold
11/22/93	William Blair	Buy

11/02/93	NatWest Securities	Buy
11/01/93	Paine Webber	2-Buy
10/27/93	Goldman Sachs	Moderate Outperform
10/21/93	Kidder Peabody	Outperform
10/21/93	Merrill Lynch	Buy

. Blockbuster provides the combined Viacom/Paramount/Blockbuster a strong balance sheet, strong cash flow, and earnings diversification.

-- Combined company is expected to have:

- market capitalization in excess of \$26 billion
- 1994 cashflow (EBITDA) in excess of \$2 billion
- total debt/capitalization below 42%

. The cashflow generated by a combined Viacom/Blockbuster/Paramount will be balanced, with each company contributing approximately one-third

-- This will help offset Paramount's lower cash flow multiple and protect against Paramount's more volatile earnings base.

. Blockbuster combined with Viacom/Paramount will provide significant additional revenue enhancements and cost reduction opportunities

Revenue Enhancement -----	Cost Reduction -----
- Retail Distribution	- Distribution
- Merchandising	- Advertising
- Multimedia	- Overhead
- Cross Promotion	- Purchasing economies
MTV/music retail	
Showtime/video rental	
Nickelodeon/Discovery Zone	
- Database marketing	
- Fifth network	
- International	
- Edutainment	
- Live entertainment	

III. Viacom's Offer is Superior to QVC's Offer

- . Viacom is offering significantly more cash per share than QVC

	Per Share	Total
	-----	-----
Viacom	\$105	\$6.5 Billion
QVC	\$ 92	\$5.7 Billion
	-----	-----
	\$ 13	\$800 Million

-- Approximately \$6.52 more per share on a blended basis

- . Viacom believes its shares are significantly more valuable than QVC's shares

-- Viacom is a much larger and diversified company than QVC

Viacom/Blockbuster	QVC
-----	---
- Cable TV Networks	- Home Shopping Cable Network
- MTV	
- VH1	
- Nickelodeon	
- Nick at Nite	
- Showtime	
- The Movie Channel	
- Flix	
- TV and Radio Stations	
- Significant Cable Operations	
- Joint Ventures	
- Lifetime	
- Comedy Central	
- All News Channel	
- Video rental	
- Music retailing	
- Filmed entertainment	
- Entertainment Centers	

-- Viacom and Blockbuster have substantially more complementary assets to Paramount's than QVC

-- The \$3 billion of value created through a Viacom/Paramount combination that Booz Allen presented to Paramount is conservative

- This represents over \$24/share of potential value

-- Viacom's talented management team has an extremely successful track record of generating significant growth and innovation

IV. Viacom's Stock Price Should be Dramatically Higher than QVC's After a Completed Merger with Paramount

	VIA/	PCI/	BV	QVC/	PCI
	-----	-----		-----	-----
- % Contribution to Combined EBITDA	32%	34%	34%	25%	75%
- Pre transaction EBITDA multiple (9/7/93*)	16.5x	10.4x	14.0x	15.5x	10.4x
- Weighted avg EBITDA multiple	13.6x**			11.7x	
- Implied stock price***	\$55			\$26	

* Immediately before Viacom's announced merger agreement with Paramount

** Due to the substantial synergies expected to be achieved, and prospects for higher growth, the multiple could approach 15x for Viacom/Blockbuster/Paramount.

*** Based upon estimated 1994 EBITDA and pro forma capitalization

- . Viacom should trade now at \$55 based on its weighted EBITDA multiple
- . Viacom's deal is now trading at a significantly lower 1994 EBITDA multiple than QVC's deal
- . Smith Barney believes QVC's current stock price does not reflect post transaction realities
 - QVC's current price of \$39 7/8 implies a multiple well in excess of 11.7x, its weighted average multiple - approximately 14.2x
 - This implies that a management change results is over \$2 billion of value
 - QVC has stated it intends to sell Paramount's theme parks and TV stations which we believe to represent over 25% of Paramount's cash flow
 - The EBITDA multiple that could be achieved in a sale would be substantially below the multiple paid to acquire Paramount
 - This would further increase QVC's implied EBITDA multiple required to hold its current price
- . While Barry Diller may be an excellent manager, increasing Paramount's inherent growth rate by merely a management change appears unlikely
 - In any event, Viacom and Blockbuster have achieved equal accomplishments without reliance on any one individual
- . Paramount's lower multiple reflects an expected lower growth rate

-- This growth rate and multiple is in line with its closest comparables

- Time Warner
- Disney

. While improving studio cash flow may be possible, the studio represents less than 20% of Paramount's cash flow

. The remaining 80% of cash flow represent businesses where the growth and profitability can not be easily altered through management change

- | | |
|--------------------------|----------------------|
| - Publishing | - Theatres |
| - Madison Square Garden | - TV stations |
| - MSG Cable Network | - Theme Parks |
| - USA and SciFi Networks | - Knicks and Rangers |

PARAMOUNT COMMUNICATIONS INC.

January 13, 1994

Martin Lipton, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019

Dear Martin:

The Board of Directors has considered the claim of QVC that Viacom violated the Exemption Agreement between Paramount and Viacom and, based on the information available to it, has no reason to believe that the Viacom proposal was made primarily to extend QVC's offer or was otherwise in bad faith.

One other matter. We are not in agreement with the statement that QVC has the right under the terms of the Merger Agreement to terminate its offer in the event the minimum condition is not satisfied at midnight on January 21, 1994.

Sincerely,

/S/ Donald Oresman

Paramount Communications Inc.

15 Columbus Circle
New York, NY 10023-7780
212-373-8000
Fax 212-373-8558

NEWS

FOR IMMEDIATE RELEASE

January 12, 1994

NEW YORK, Jan. 12 -- Paramount Communications Inc. (NYSE: PCI) announced today that its Board of Directors has unanimously recommended that Paramount's stockholders reject the revised tender offer by Viacom Inc. and not tender any of their shares pursuant to the Viacom offer. The Paramount Board also reaffirmed its recommendation that Paramount stockholders accept the tender offer by QVC Network, Inc. and tender all of their shares pursuant to the QVC offer.

Following its evaluation of recommendations from Paramount's financial and legal advisors, the Board reaffirmed its determination that the revised QVC offer and its second-step merger, taken together, are fair and in the best interests of Paramount's stockholders. The Board also determined that, although the per-share cash consideration offered in the revised Viacom offer is higher than that offered in the QVC offer, the aggregate consideration offered in the QVC offer and its second-step merger, taken together, represents the best value available to Paramount stockholders.

Martin S. Davis, chairman and chief executive officer of Paramount Communications, said, "the bidding procedures adopted by the Board were designed to solicit the best obtainable bid and, therefore, the greatest ultimate value for shareholders. The Board remains committed to that objective and it will continue to closely monitor the situation for new developments. The Board also will continue to communicate to shareholders its views regarding any significant developments."

"Any future bids," Mr. Davis added, "will, however, continue to be rigorously reviewed with regard to their compliance with the bidding procedures. The Board strongly encourages the bidders to submit their best and final bids at the earliest possible date. Nonetheless, the procedures were designed to preclude bids from being submitted after February 1 and that deadline will not be extended."

"The procedures set up by the Board," Mr. Davis emphasized,

"ensure that Paramount's shareholders will ultimately determine the winning bidder by tendering their shares based on their own judgment."

#

Contact: Jerry Sherman
Paramount Communications Inc.
(212) 373-8725

Carl D. Folta
Paramount Communications Inc.
(212) 373-8530

Jeffrey Z. Taufield
Kekst and Company
(212) 593-2655

SIMPSON THACHER & BARTLETT
(A PARTNERSHIP WHICH INCLUDES PROFESSIONAL CORPORATIONS)

January 13, 1994

Stephen R. Volk, Esq.
Shearman & Sterling
599 Lexington Avenue
New York, New York 10022

Martin Lipton, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019

Gentlemen:

In order to provide greater certainty and predictability for the benefit of Paramount, its stockholders and each of QVC and Viacom with respect to the conclusion of the bidding process, we have prepared certain clarifying amendments to the Merger Agreement between Paramount and QVC and the Exemption Agreement between Viacom and Paramount. We do not propose to change the procedures but simply to address interpretive issues by clarifying or refining the existing obligations of the parties. The amendments we propose are as follows:

(i) The first amendment will make it clear that a bidder is not permitted to change its proposal to acquire Paramount after February 1. Although we believe that the "Offer" in the context of the bidding procedures contemplates both the terms of the tender offer and the second-step merger consideration offered by the bidders, in the absence of this amendment, it could be asserted that changes in the proposed second-step merger consideration offered by a bidder could be made subsequent to February 1, 1994. We believe that this amendment accurately reflects the spirit and good faith intention of the parties that any bid made on February 1, 1994 represent such bidder's highest and final bid and that a bidder should not willfully take an action to cause its offer to extend past February 14, 1994. Moreover, as you know, the substance of this amendment was in the bidding procedures originally proposed by Paramount. To implement this amendment, we are also proposing a technical conforming amendment to the time period associated with amending the terms of the consideration to be paid pursuant to the back-end merger;

(ii) The Merger Agreement should be revised to clarify that a bidder may not revise the consideration offered in its proposed second-step merger with Paramount primarily to extend the expiration date of the other bidder's offer (this point is, of course, implicit in any contractual party's obligation of good faith and fair dealing with respect to any contract);

-2-

Stephen R. Volk, Esq.
Martin Lipton, Esq.

January 13, 1994

(iii) In order to further ensure that the parties abide by the spirit of the bidding procedures, we are also proposing that a bidder can neither seek to amend the bidding procedures nor publicly announce an intention to either take an action which is not otherwise permitted or refrain from taking an action which is required, under the agreement applicable to such bidder (this point is also implicit in a contractual party's obligation of good faith and fair dealing with respect to any contract); and

(iv) In order to further provide for an orderly process and avoid confusion, we also propose that any revision to a bidder's tender offer or second-step merger consideration must be on file with the Securities and Exchange Commission no later than 5:00 p.m. on the date the offer would otherwise expire.

A form of amendment to each of the Merger Agreement and the Exemption Agreement with our proposed revisions is attached for your review.

We would appreciate a prompt response to our proposals. Please feel free to call us with any questions or comments you may have.

Sincerely,

/s/ Richard I. Beattie

Richard I. Beattie

Attachment

SECOND AMENDMENT

SECOND AMENDMENT (this "Amendment"), dated as of January __, 1994, to the Agreement and Plan of Merger, dated as of December 22, 1993 (the "Merger Agreement"), between QVC Network, Inc., a Delaware corporation ("QVC"), and Paramount Communications Inc., a Delaware corporation ("Paramount").

WITNESSETH:

WHEREAS, QVC and Paramount have agreed to amend certain provisions of the Merger Agreement in the manner provided below;

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

SECTION 1. Defined Terms. As used in this Amendment, terms defined in

the Merger Agreement are used herein as therein defined, unless otherwise defined herein. Unless otherwise indicated, all Section and subsection references are to the Merger Agreement.

SECTION 2. Amendments to Section 2.1(c). Section 2.1(c) is hereby

amended by deleting in the first sentence of the second paragraph thereof the words "other than a change in the terms of the Offer" and by substituting, in their place, the phrase "outside the control of QVC." Section 2.1(c) is also amended by (i) inserting after the words "Common Stock payable in the Offer or" in the last sentence thereof the phrase "the second-step merger to be completed pursuant to this Agreement upon consummation of the Offer (the "Second-Step Merger") or" and (ii) inserting after the words "otherwise amend the Offer" in the last sentence thereof the phrase "or the terms of the Second-Step Merger." Section 2.1(c) is further amended by adding at the end thereof the following sentences:

"Any amendment to the Offer or any change in the consideration offered to the Paramount stockholders in the Second-Step Merger that results in an extension of the Expiration Date shall be on file with the SEC by 5:00 p.m. on the date of such amendment or change. QVC agrees that if, after February 1, 1994, it changes the consideration offered to the Paramount stockholders in the Second-Step Merger, in such a manner as to necessitate the filing of an amendment to the Schedule 14D-1, then QVC shall be required to extend its Offer for a period of not less than ten business days. QVC hereby agrees that it shall neither seek to amend the bidding procedures nor publicly announce an intention to take an action, which is not otherwise permitted or refrain from taking an action which is required, under the terms of this Agreement."

SECTION 3. Miscellaneous. Except as expressly amended herein, the

Merger Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms. This Amendment may be executed by the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 4. Governing Law. Except to the extent that Delaware Law is

mandatorily applicable to the Merger and the rights of the stockholders of Paramount and QVC, this Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

SECTION 5. Counterparts. This Amendment may be executed in one or more

counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, QVC and Paramount have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

ATTEST: QVC NETWORK, INC.

By _____ By _____

ATTEST: PARAMOUNT COMMUNICATIONS INC.

By _____ By _____

FIRST AMENDMENT

FIRST AMENDMENT (this "Amendment"), dated as of January __, 1994, to the Exemption Agreement, dated as of December 22, 1993 (the "Exemption Agreement"), between Viacom Inc., a Delaware corporation ("Viacom"), and Paramount Communications Inc., a Delaware corporation ("Paramount").

WITNESSETH:

WHEREAS, Viacom and Paramount have agreed to amend certain provisions of the Exemption Agreement in the manner provided below;

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

SECTION 1. Defined Terms. As used in this Amendment, terms defined in the

Exemption Agreement are used herein as therein defined, unless otherwise defined herein. Unless otherwise indicated, all Section and subsection references are to the Exemption Agreement.

SECTION 2. Amendments to Section 2.01 (a). Clause (v) of Section 2.01(a)

is hereby amended by deleting the words "other than a change in the terms of the Offer" and by substituting, in their place, the phrase "outside the control of the Offeror." Section 2.01(a) is also amended by (i) inserting after the words "consideration of the Offer or" in the last sentence thereof the phrase "the second-step merger as contemplated by the form of Merger Agreement attached as Exhibit A hereto (the "Second-Step Merger") or" and (ii) inserting after the words "otherwise amend the Offer" in the last sentence thereof the phrase "or the terms of the Second-Step Merger." Section 2.01(a) is further amended by adding at the end thereof the following sentences:

"Any amendment to the Offer or any change in the consideration offered to the Paramount stockholders in the Second-Step Merger that results in an extension of the Expiration Date shall be on file with the Securities and Exchange Commission by 5:00 p.m. on the date of such amendment or change. The Offeror agrees that if, after February 1, 1994, it changes the consideration offered to the Paramount stockholders in the Second-Step Merger, in such a manner as to necessitate the filing of an amendment to its Tender Offer Statement on Schedule 14D-1, then the Offeror shall be required to extend its Offer for a period of not less than ten business days. The Offeror hereby agrees that it shall neither seek to amend the Bidding Procedures nor publicly announce an intention to take an action, which is not otherwise permitted or refrain from taking an action which is required, under the terms of this Agreement."

SECTION 3. Miscellaneous. Except as expressly amended herein, the

Exemption Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms. This Amendment may be executed by the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 4. Governing Law. This Amendment shall be governed by, and

construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of law, except to the extent that any provisions are governed by the federal securities laws.

SECTION 5. Counterparts. This Amendment may be executed in one or more

counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Viacom and Paramount have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

ATTEST:

VIACOM INC.

By

By

ATTEST:

PARAMOUNT COMMUNICATIONS INC.

By

By

PARAMOUNT COMMUNICATIONS INC.

January 13, 1994

Dear Stockholder:

On January 7, 1994, Viacom Inc. revised the terms of its tender offer for, and proposed second-step merger with, Paramount Communications Inc. Viacom's revisions consisted of an increase in the per Share cash consideration offered in the Viacom Offer and a decrease in the consideration offered in the Viacom Second-Step Merger. The Viacom Offer now provides for the purchase of 50.1% of the outstanding shares of the Company's Common Stock, on a fully diluted basis, at a purchase price of \$105 per Share in cash. Following completion of the Viacom Offer, Viacom would effect the Viacom Second-Step Merger in which each Share not purchased in the Viacom Offer would be converted into the right to receive (i) 0.93065 shares of Viacom Class B Common Stock and (ii) 0.30408 shares of Viacom Merger Preferred Stock.

Pursuant to a merger agreement entered into between QVC Network, Inc. and the Company, QVC has made a tender offer for 50.1% of the Shares, on a fully diluted basis, at a purchase price of \$92 per Share in cash. Under the QVC Merger Agreement, following completion of the QVC Offer, QVC will effect a second-step merger in which each Share not purchased in the QVC Offer will be converted into the right to receive (i) 1.43 shares of QVC Common Stock, (ii) 0.32 shares of QVC Merger Preferred Stock and (iii) 0.32 Warrants to purchase QVC Common Stock.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS REJECT THE PRESENT VIACOM OFFER AND NOT TENDER ANY OF THEIR SHARES PURSUANT TO IT.

YOUR BOARD OF DIRECTORS UNANIMOUSLY REAFFIRMS ITS PRIOR DETERMINATION THAT THE QVC OFFER AND THE QVC SECOND-STEP MERGER, TAKEN TOGETHER, ARE FAIR TO, AND IN THE BEST INTERESTS OF, STOCKHOLDERS OF THE COMPANY AND REAFFIRMS ITS PRIOR RECOMMENDATION THAT ALL STOCKHOLDERS ACCEPT THE QVC OFFER AND TENDER THEIR SHARES IN THE QVC OFFER.

In reaching its conclusions, the Paramount Board considered, among other things, the opinion of Lazard Freres & Co., financial advisor to the Company, that the aggregate consideration payable to Paramount stockholders in the QVC Offer and the QVC Second-Step Merger, taken together, (i) is fair to Paramount stockholders from a financial point of view and (ii) is superior from a financial point of view to the aggregate consideration payable to Paramount stockholders in the Viacom Offer and the Viacom Second-Step Merger, taken together. Other important information is described in the enclosed Schedule 14D-9's being filed with the Securities and Exchange Commission.

Notwithstanding the Board's recommendation, however, stockholders will be provided with the opportunity to choose between the offers and ultimately

determine which offer will be successful under the bidding procedures previously adopted by the Board and agreed to by each of Viacom and QVC.

We urge you to read the enclosed materials carefully in making your decision with respect to tendering your Shares.

Sincerely,

/s/ Martin S. Davis

Martin S. Davis
Chairman of the Board
and Chief Executive Officer

Lazard Freres & Co.
One Rockefeller Plaza
New York, N.Y. 10020

Telephone (212) 632-6000
Facsimile (212) 632-6060

January 12, 1994

The Board of Directors
Paramount Communications Inc.
15 Columbus Circle
New York, NY 10023-7780

Dear Members of the Board:

We refer to our written opinions to you set forth in the letter, dated December 21, 1993 (the "December 21, 1993 Letter"). You have requested our opinion, as of this date, as to whether the QVC Transaction Consideration (as defined below) is superior from a financial point of view to the Viacom Transaction Consideration (as defined in the December 21, 1993 Letter), as amended by Viacom on January 7, 1994 pursuant to the Viacom Proposal (as defined below).

As stated in the December 21, 1993 Letter, we understand that the proposed acquisition by QVC Network, Inc. ("QVC") of all of the outstanding shares of common stock (the "Common Stock") of Paramount Communications Inc. ("Paramount") by means of a cash tender offer (the "QVC Offer") by QVC, followed by a proposed second-step merger of Paramount and QVC (the "QVC Second-Step Merger"; collectively with the QVC Offer, the "QVC Two-Step Transaction") is to be effected pursuant to the Agreement and Plan of Merger, dated as of December 22, 1993, between QVC and Paramount (the "QVC Merger Agreement"), whereby (i) QVC is offering to purchase 61,607,894 shares of Common Stock, or such greater number as equals 50.1% of the outstanding shares of Common Stock, at a purchase price of \$92.00 per share in cash, and (ii) following completion of the QVC Offer, Paramount would be merged into QVC in the QVC Second-Step Merger, and each share of Common Stock not purchased in the QVC Offer (other than shares of Common Stock held in the treasury of Paramount or owned by Paramount or any direct or

indirect wholly-owned subsidiary of Paramount or QVC) would be converted into the right to receive (a) 1.43 shares of common stock of QVC (the "QVC Common Stock"), (b) 0.32 shares of a new series 6% cumulative non-convertible exchangeable preferred stock of QVC (the "QVC Merger Preferred Stock") and (c) 0.32 warrants to purchase one share of QVC Common Stock at a price of \$70.34 per share, exercisable at any time by the holder prior to the tenth anniversary of the QVC Second-Step Merger (the "Warrants") (the

aggregate consideration payable to holders of Common Stock (the "Stockholders") pursuant to the QVC Offer set forth in clause (i) and the aggregate consideration payable to Stockholders pursuant to the QVC Second-Step Merger set forth in subclauses (a), (b) and (c) of clause (ii) is collectively referred to as the "QVC Transaction Consideration"). We also understand that the QVC Merger Agreement provides that the QVC Merger Preferred Stock will pay cumulative quarterly dividends at a rate of \$3.00 per annum per share, will have a liquidation preference of \$50.00 per share, will be redeemable for cash by QVC at declining redemption premiums on and after the fifth anniversary of the QVC Second-Step Merger and will be exchangeable by QVC into QVC's 6% subordinated debentures (the "QVC Debentures") at an exchange rate of \$50.00 principal amount of QVC Debenture per share of QVC Merger Preferred Stock on and after the third anniversary of the QVC Second-Step Merger. In addition, we understand that the Warrants will be exercisable with cash or by using an equivalent amount of liquidation preference of QVC Merger Preferred Stock or principal amount of QVC Debentures and will be redeemable for cash by QVC, at its option, at \$15.00 per Warrant on and after the fifth anniversary of the QVC Second-Step Merger.

In addition, we understand that, as set forth in (i) the written proposal submitted to Paramount by Viacom on January 7, 1994 and (ii) Amendment Number 20 to the Tender Offer Statement on Schedule 14D-1 filed by Viacom Inc. ("Viacom"), National Amusements, Inc., Mr. Sumner M. Redstone and Blockbuster Entertainment Corporation ("Blockbuster") with the Securities and Exchange Commission on January 7, 1994, including the Agreement and Plan of Merger, dated as of January 7, 1994 (the "Blockbuster Merger Agreement"), between Blockbuster and Viacom and the Subscription Agreement (the "Blockbuster Subscription Agreement"), dated January 7, 1994, between Viacom and Blockbuster (the "Viacom Tender Offer Statement") (collectively, the "Viacom Proposal"), Viacom amended the terms of the cash tender offer (the "Viacom Offer") that it had commenced on October 25, 1993. Under the Viacom Proposal, (a) Viacom is offering in the Viacom Offer to purchase 61,607,894 shares of Common Stock, or such greater number as equals 50.1% of the outstanding shares of Common Stock, at a purchase price of \$105.00 per share in cash, and (b) following completion of the Viacom Offer, in accordance with the form of

Agreement and Plan of Merger, between Viacom and Paramount (the "Form Viacom Merger Agreement") that is attached to the Exemption Agreement, dated December 22, 1993, between Viacom and Paramount (the "Viacom Exemption Agreement"), Paramount would be merged into Viacom in the proposed second-step merger between Viacom and Paramount (the "Viacom Second-Step Merger"; collectively with the Viacom Offer, the "Viacom Two-Step Transaction"), and each share of Common Stock not purchased in the Viacom Offer (other than shares of Common Stock held in the treasury of Paramount or owned by Paramount or any direct or indirect wholly-owned subsidiary of Paramount or Viacom) would be converted into the right to receive (1) 0.93065 shares of Class B common stock of Viacom (the "Viacom Class B Common Stock") and (2) 0.30408 shares of a new series of Viacom cumulative convertible exchangeable preferred stock (the

"Viacom Merger Preferred Stock") (the aggregate consideration payable to Stockholders pursuant to the Viacom Offer set forth in clause (a) and the aggregate consideration payable to Stockholders pursuant to the Viacom Second-Step Merger set forth in subclauses (1) and (2) of clause (b) is collectively referred to as the "Amended Viacom Transaction Consideration").

Lazard Freres & Co. has from time to time acted as financial advisor to Paramount and has acted as its financial advisor in connection with proposed Viacom Two-Step Transaction and proposed QVC Two-Step Transaction. As you know, a General Partner of our firm is a member of Paramount's Board of Directors. In addition, we have from time to time in the past provided, and we are currently providing, in matters unrelated to Paramount, financial advisory or financing services to one or more of the respective equity investors in Viacom and QVC, or persons engaged in pending transactions with one or more of such investors, and we have received, or expect to receive, fees for the rendering of such services. In connection with our opinions set forth in this letter, we have, among other things:

(i) reviewed the terms and conditions of (a) the written proposal submitted by QVC on December 20, 1993, Amendment Number 21 to the Tender Offer Statement Schedule 14-D1 filed by QVC on December 23, 1993, and the QVC Merger Agreement (including the form Exemption Agreement between QVC and Paramount attached thereto) and (b) the Viacom Proposal, the Viacom Tender Offer Statement and the Viacom Exemption Agreement (including the Form Viacom Merger Agreement attached thereto);

(ii) reviewed the terms and conditions of the Blockbuster Merger Agreement and the Blockbuster Subscription Agreement and analyzed the Viacom Proposal both with and without giving effect to the consummation of the proposed merger between Viacom and

Blockbuster contemplated by the Blockbuster Merger Agreement;

(iii) analyzed certain historical business and financial information relating to Paramount, Viacom, QVC and Blockbuster, including (a) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Paramount for each of the fiscal years ended October 31, 1988 through 1992, the Transaction Report on Form 10-K of Paramount for the period from November 1, 1992 through April 30, 1993 and Quarterly Reports on Form 10-Q of Paramount for the quarters ended January 31, April 30 and July 31 for each of the same fiscal years and for the quarters ended January 31, April 30, July 31 and October 31, 1993, (b) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Viacom for each of the fiscal years ended December 31, 1988 through 1992, and Quarterly Reports on Form 10-Q of Viacom for the quarters ended March 31, June 30 and September 30 for each of the same fiscal years, and for the quarters ended March 31, June 30, and September 30, 1993, (c) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of QVC for each of the fiscal years ended January 31, 1989 through 1993, and Quarterly Reports on Form 10-Q

of QVC for the quarters ended April 30, July 31 and October 31 for each of the same fiscal years, and for the quarters ended April 30, July 31 and October 31, 1993 and (d) the Annual Reports to Stockholders and the Annual Reports on Form 10-K of Blockbuster for each of the fiscal years ended December 31, 1988 through 1992, and Quarterly Reports on Form 10-Q of Blockbuster for the quarters ended March 31, June 30 and September 30 for each of the same fiscal years, and for the quarters ended March 31, June 30, and September 30, 1993;

(iv) reviewed certain financial forecasts and other data provided to us by Paramount, Viacom, QVC and Blockbuster relating to their respective businesses (except in the case of Paramount, financial forecasts for fiscal year 1993 only, having been advised that Paramount has not prepared projections beyond fiscal year 1993);

(v) conducted discussions with members of the senior management of Paramount, Viacom, QVC and Blockbuster with respect to the business and prospects of Paramount, Viacom, QVC and Blockbuster and the strategic objectives of each;

(vi) reviewed public information with respect to certain other companies in lines of businesses we believe to be comparable to the businesses of Paramount, Viacom, QVC and Blockbuster;

(vii) reviewed the financial terms of certain business combinations involving companies in lines of business we believe to

be comparable to those of Paramount, Viacom, QVC and Blockbuster, and in other industries generally;

(viii) reviewed the historical stock prices and trading volumes of the Common Stock, Viacom Class B Common Stock, QVC Common Stock and shares of common stock of Blockbuster;

(ix) reviewed the procedures for bidding set forth in the QVC Merger Agreement and the Viacom Exemption Agreement, in particular noting the respective provisions therein providing for the extension of the QVC Offer or the Viacom Offer, as applicable, for 10 business days upon delivery of a Completion Certificate (referred to in the QVC Merger Agreement or the Viacom Exemption Agreement, as applicable) by QVC or Viacom, as applicable; and

(x) conducted such other financial studies, analyses and investigations as we deemed appropriate.

We have assumed and relied upon the accuracy and completeness of the financial and other information provided by Paramount, Viacom and QVC to us, and on the representations contained in the QVC Merger Agreement, and we have not undertaken any independent verification of such information or any independent valuation or appraisal of any of the assets of Paramount, Viacom or QVC. With respect to the financial forecasts referred to above, we have assumed that they have been reasonably prepared on a basis

reflecting the best currently available judgements of the managements of Paramount, Viacom and QVC as to the future financial performance of Paramount, Viacom and QVC, respectively. In addition, we have assumed that the Viacom Proposal was made in compliance with the terms and conditions of the Viacom Exemption Agreement. Further, our opinions are based on economic, monetary and market conditions existing on this date.

We have not reviewed any proxy statement or similar document that may be prepared for use in connection with the proposed QVC Two-Step Transaction. In accordance with the Procedures for Submissions of Proposals established by Paramount's Board of Directors on December 13, 1993, Paramount's Board of Directors on December 13, 1993, Paramount's Board of Directors has authorized us to respond to inquiries with respect to Paramount from prospective bidders (in addition to QVC and Viacom) and to receive proposals from additional bidders, if any. We have not, however, solicited third party indications of interest in acquiring all or any part of Paramount.

As part of our analysis, we have continued to evaluate the transactions, as we have in the past, not only on the basis of

current market values but also applying other financial valuation methodologies generally applicable to transactions of this type. These financial valuation methodologies produced conflicting results and accordingly were inconclusive in the aggregate as to the superiority from a financial point of view of one proposal over the other and do not in our opinion justify disregarding the significantly higher market valuation of the QVC Transaction Consideration.

Our engagement and the opinions expressed herein are solely for the benefit of Paramount's Board of Directors and are not on behalf of, and are not intended to confer rights or remedies upon, Viacom, QVC, any stockholders of Paramount, Viacom or QVC or any other person other than Paramount's Board of Directors.

Based on and subject to the foregoing and such other factors as we deemed relevant, including our assessment of economic, monetary and market conditions existing on the date of this letter, we are of the opinion that, as of this date, (i) the QVC Transaction Consideration is fair to the Stockholders from a financial point of view and (ii) the QVC Transaction Consideration is superior to the Amended Viacom Transaction Consideration from a financial point of view.

Very truly yours,

/s/ Lazard Freres & Co.