

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NO. 0-20570

SILVER KING COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

59-2712887
(I.R.S. Employer)
Identification No.)

12425 28TH STREET, NORTH, ST. PETERSBURG, FLORIDA
(Address of principal executive offices)

33716
(Zip Code)

(813) 573-0339
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year,
if changed since last report)

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 .

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares
outstanding of each of the issuer's classes of common stock as of the latest
practicable date.

Total number of shares of outstanding Common Stock as of April 30, 1996:

Common Stock..... 7,055,332
Class B Common Stock..... 2,415,945

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SILVER KING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	QUARTER ENDED	
	MARCH 31, 1996	MARCH 31, 1995

REVENUE		
Broadcasting.....	\$10,730	\$10,517
Production.....	382	798
	-----	-----
Net revenue.....	11,112	11,315
COSTS AND EXPENSES		
Cost of production.....	128	137
General and administrative.....	5,899	5,513
Depreciation and amortization.....	3,458	3,692
	-----	-----
Total costs and expenses.....	9,485	9,342
	-----	-----
Operating profit (loss).....	1,627	1,973
OTHER INCOME (EXPENSE)		
Interest income.....	619	339
Interest expense.....	(2,412)	(2,810)
Dividend income.....	--	463
Miscellaneous.....	137	(56)
	-----	-----
Total other income (expense).....	(1,656)	(2,064)
	-----	-----
Income (loss) before income taxes.....	(29)	(91)
Income tax benefit (provision).....	(577)	244
	-----	-----
NET INCOME (LOSS).....	\$ (606)	\$ 153
	=====	=====
PER SHARE OF COMMON STOCK:		
NET INCOME (LOSS) PER COMMON SHARE.....	\$ (.06)	\$.02
	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING.....	9,456	8,903
	=====	=====

The accompanying notes are an integral part of these financial statements.

SILVER KING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(IN THOUSANDS)

	MARCH 31, 1996	DECEMBER 31, 1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 23,318	\$ 19,140
Accounts receivable, net.....	411	1,402
Notes receivable, current.....	3,010	2,835
Other current assets.....	841	1,199
Deferred income taxes.....	1,797	1,797
	-----	-----
Total current assets.....	29,377	26,373
PROPERTY, PLANT AND EQUIPMENT, AT COST		
Computer and broadcast equipment.....	73,575	76,033
Buildings and leasehold improvements.....	19,395	19,520
Furniture and other equipment.....	2,225	2,991
	-----	-----
Less accumulated depreciation.....	(70,942)	(72,851)
	-----	-----
Land.....	24,253	25,693
Construction in progress.....	3,334	3,334
	-----	-----
Total property, plant and equipment.....	27,726	29,271
OTHER ASSETS		
Intangible assets, net.....	57,643	59,984
Capitalized bank fees, net.....	3,077	3,293
Capitalized restructuring.....	170	--
Notes receivable, net of current.....	11,396	12,188
Long-term investments.....	5,135	5,135
Other.....	446	426
	-----	-----
Total other assets.....	77,867	81,026
	-----	-----
	\$134,970	\$136,670
	=====	=====

The accompanying notes are an integral part of these financial statements.

SILVER KING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) -- (CONTINUED)

(IN THOUSANDS)

	MARCH 31, 1996	DECEMBER 31, 1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations.....	\$ 12,638	\$ 12,456
Accrued liabilities:		
Payroll and payroll taxes.....	1,837	1,315
Rent.....	633	722
Interest.....	1,445	777
Other.....	2,147	2,217
Restructuring.....	905	1,333
	-----	-----
Total current liabilities.....	19,605	18,820
DEFERRED INCOME TAXES.....	14,451	14,399
LONG-TERM OBLIGATIONS, NET OF CURRENT MATURITIES.....	92,730	95,980
COMMITMENTS AND CONTINGENCIES.....	--	--
STOCKHOLDERS' EQUITY		
Preferred stock -- \$.01 par value; 50,000 shares authorized, no shares issued and outstanding.....	--	--
Common stock -- \$.01 par value, 30,000,000 shares authorized, 7,055,332 and 6,996,332 shares issued and outstanding, respectively.....	71	70
Class B convertible common stock -- \$.01 par value; 2,415,945 shares authorized, issued and outstanding.....	24	24
Additional paid-in capital.....	127,189	126,119
Note receivable from common stock issuance to Key Executive.....	(4,998)	(4,998)
Deficit.....	(110,729)	(110,123)
Unearned compensation.....	(3,373)	(3,621)
	-----	-----
Total stockholders' equity.....	8,184	7,471
	-----	-----
	\$134,970	\$136,670
	=====	=====

The accompanying notes are an integral part of these financial statements.

SILVER KING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

(IN THOUSANDS)

	COMMON STOCK \$0.01 PAR VALUE	CLASS B CONVERTIBLE COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	NOTE RECEIVABLE FROM COMMON STOCK ISSUANCE FROM KEY EXECUTIVE	DEFICIT	UNEARNED COMPENSATION	TOTAL
BALANCE ON JANUARY 1, 1996...	\$70	\$24	\$126,119	\$ (4,998)	\$ (110,123)	\$ (3,621)	\$7,471
Issuance of common stock upon exercise of stock options.....	1	--	640	--	--	--	641
Income tax benefit relating to stock options exercised.....	--	--	430	--	--	--	430
Amortization of unearned compensation related to grant of stock options to Key Executive.....	--	--	--	--	--	248	248
Net loss for the quarter ended March 31, 1996.....	--	--	--	--	(606)	--	(606)
BALANCE ON MARCH 31, 1996....	\$71	\$24	\$127,189	\$ (4,998)	\$ (110,729)	\$ (3,373)	\$8,184

The accompanying notes are an integral part of these financial statements.

SILVER KING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(IN THOUSANDS)

	QUARTER ENDED	
	MARCH 31, 1996	DECEMBER 31, 1995
CASH FLOWS -- OPERATING ACTIVITIES:		
Net income (loss).....	\$ (606)	\$ 153
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	3,458	3,692
Non-cash interest expense.....	216	206
Provision for losses on accounts receivable.....	20	15
Expense related to leases with escalation clause.....	(89)	(22)
Amortization of unearned compensation related to grant of stock options to Key Executive.....	248	--
(Gain) loss on retirement or sale of fixed assets.....	(2)	54
Deferred income tax (benefit) expense.....	412	(156)
(Increase) decrease in other assets.....	(20)	--
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable.....	847	1,950
(Increase) decrease in other current assets.....	358	(30)
Increase (decrease) in accrued liabilities.....	1,386	(371)
	6,228	5,491
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	6,228	5,491
CASH FLOWS -- INVESTING ACTIVITIES:		
Capital expenditures.....	(73)	(596)
Proceeds from sale of fixed assets.....	3	1
Payment of capitalized restructuring fees.....	(170)	--
Investment in long-term notes receivable.....	--	(1,400)
Proceeds from long-term notes receivable.....	617	266
	377	(1,729)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.....	377	(1,729)
CASH FLOWS -- FINANCING ACTIVITIES:		
Principal payments on long-term obligations.....	(3,068)	(2,618)
Proceeds from exercise of stock options.....	641	30
	(2,427)	(2,588)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES.....	(2,427)	(2,588)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	4,178	1,174
Cash and cash equivalents at beginning of period.....	19,140	12,554
	\$ 23,318	\$ 13,728
Cash and cash equivalents at end of period.....	\$ 23,318	\$ 13,728

The accompanying notes are an integral part of these financial statements.

SILVER KING COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND DISTRIBUTION

In July 1986, Silver King Broadcasting Company, Inc. ("SKBC") was incorporated in Delaware and began acquiring UHF television stations. SKBC was formed as part of a strategy to broaden the viewership of the retail sales programming produced by Home Shopping Club, Inc. ("HSC"), a wholly-owned subsidiary of Home Shopping Network, Inc. ("HSN") and a leader in the electronic retailing industry. HSC sells a variety of consumer goods and services by means of HSC's live, customer-interactive retail sales programming, which is received on a full-time or part-time basis by broadcast television stations, cable television systems and satellite dish receivers. SKBC subsequently changed its name to HSN Communications, Inc. ("HSNC") and, on August 25, 1992, HSNC changed its name to Silver King Communications, Inc. ("SKC" when referring to the parent company alone, but when referring to SKC and/or one or more of its direct or indirect wholly-owned subsidiaries, the "Company"). Currently, the Company owns and operates 12 independent full-power UHF television stations, including one television satellite station (the "Stations"), which affiliate with and primarily broadcast HSC retail sales programming. The Stations serve eight of the 13 largest metropolitan television markets in the United States. As of December 31, 1995, the Stations reached approximately 28.0 million television households, which is one of the largest audience reaches of any owned and operated independent television broadcasting group in the United States.

In addition, the Company owns 26 low power television ("LPTV") stations that broadcast HSC retail sales programming. The Company and HSN are discussing an amendment to their existing LPTV affiliation agreements which would provide additional revenue to the Company. LPTV stations have lower power transmitters than conventional television stations and, therefore, the broadcast signals of LPTV stations do not cover as broad a geographical area as conventional broadcast television stations.

On December 28, 1992 (the "Distribution Date"), HSN distributed the capital stock (the "Distribution") of the Company to HSN's stockholders of record as of December 24, 1992 (the "Record Date"), in the form of a pro-rata stock dividend. The capital stock of Telemation, Inc. ("Telemation") was contributed to SKC prior to the Distribution. Telemation is a video production and post-production company providing a full range of communications services to corporations and advertising agencies, and Telemation also produces television shows and videos for the entertainment industry.

The Distribution resulted in 100% of the outstanding shares of the Company's Common Stock and the Company's Class B Common Stock being distributed to holders of HSN Common Stock and HSN Class B Common Stock on a pro-rata basis as of the Record Date.

Roy M. Speer indirectly controls the Company through the ownership, by RMS Limited Partnership ("RMSLP"), a Nevada limited partnership, of 100% of the Company's Class B Common Stock. On February 11, 1993, RMSLP entered into an agreement granting an assignable option to purchase 2,000,000 shares of its Class B Common Stock in the Company to Liberty Media Corporation ("Liberty"). This agreement was subsequently amended on September 23, 1994, and Liberty retained its option to purchase 2,000,000 shares. Liberty and Barry Diller (the "Key Executive") entered into an agreement pursuant to which Liberty and Mr. Diller have formed Silver Management Company ("SMC") to which Liberty intends to assign the option. On March 6, 1996, the Federal Communications Commission ("FCC") granted its approval of the transfer of control of SKC from Mr. Speer to SMC by the proposed consummation of the option. However, the FCC attached certain conditions to the grant and also adopted a stay order released on the same day as the grant delaying the effectiveness of the grant until the agency completed an investigation of allegations raised against SKC by Urban Broadcasting Corporation ("Urban") that could implicate SKC's qualifications as an FCC licensee. SMC has filed a pleading requesting that the FCC delete or modify one of the conditions to the grant which requires prior FCC approval if Liberty's parent company, Tele-Communications, Inc., materially increases its cable systems' percentage of subscribers in any of the 11 markets served by the Company's Stations. Separately, SKC has filed pleadings at the FCC opposing Urban's allegations and seeking an order vacating the stay. A decision is currently pending on SMC's request and the FCC's

investigation of the Urban allegations. If a sale pursuant to exercise of the option is consummated between RMSLP and SMC, Mr. Speer will no longer control the Company. See "Note D -- Subsequent Events" regarding the issuance of additional Company shares.

The Company has changed its fiscal year end from August 31st to December 31st effective January 1, 1996.

NOTE B - BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements include the accounts of SKC and all subsidiaries, all of which are wholly-owned. All intercompany transactions and accounts have been eliminated. The Condensed Consolidated Financial Statements are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the fiscal year ended August 31, 1995.

In the opinion of management, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The Condensed Consolidated Financial Statements and notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's annual Consolidated Financial Statements and notes thereto as discussed above.

NOTE C - LITIGATION

On May 22, 1995, Silver King Broadcasting of Virginia, Inc. ("SKVA"), a wholly-owned subsidiary of the Company, and Urban Broadcasting Corporation ("Urban") and its principals settled a lawsuit relating to Urban's default on a note receivable of \$10.5 million to SKVA. Pursuant to the settlement, SKVA received approximately \$3.5 million on May 23, 1995, consisting of \$1.8 million in interest income and \$1.7 million in principal on SKVA's \$10.5 million loan to Urban. Additionally, SKVA forgave approximately \$.1 million of interest under the terms of the settlement and Urban dismissed its \$6.5 million Amended Counterclaim. Urban remained obligated to repay the outstanding principal balance of approximately \$8.8 million over the remaining term of the loan.

On July 3, 1995, Urban and Theodore M. White, the President, sole director and owner of all the voting stock of Urban, separately filed voluntary Chapter 11 bankruptcy petitions. On September 26, 1995, the bankruptcy court entered a final cash collateral order with respect to the Urban bankruptcy executed by Urban and SKVA that lasted until December 31, 1995 and will continue thereafter for successive periods of three months unless Urban or SKVA gives 30 days' notice of termination prior to the end of any such three-month period. To date, no such notice has been provided. Accordingly, the final cash collateral order shall remain in effect at least until June 30, 1996. Under the cash collateral order, the escrow agreement SKVA and Urban entered into pursuant to the settlement of SKVA's lawsuit against Urban remains in effect. Under the escrow agreement, HSC makes affiliation payments due Urban under its affiliation agreement with HSC into an escrow account. The escrow agents thereafter disburse the proceeds to SKVA in an amount equal to the loan payment due SKVA from Urban, and any remaining proceeds are disbursed to Urban. As of May 1, 1996, Urban is current on its loan payment obligations. The Official Committee of Unsecured Creditors (the "Committee") has filed a motion for the appointment of a trustee. That motion remains pending. On April 29, 1996, the bankruptcy court denied a motion by Urban to extend the exclusive period for the debtor (i.e., Urban) to file a plan of reorganization. Since that ruling, Urban and the Committee have both filed plans of reorganization and disclosure statements. Mr. White has filed a plan of reorganization and has filed a motion to extend the exclusive period for consideration of his plan in the separate White proceeding.

NOTE D - SUBSEQUENT EVENTS

On November 27, 1995, the Company entered into agreements to acquire a controlling interest in Home Shopping Network, Inc. from Liberty Media Corporation and to merge Savoy Pictures Entertainment, Inc. ("Savoy") into a new subsidiary of the Company. SKC plans to issue new shares of Common Stock to effect

the Savoy transaction and new shares of Common and Class B Common Stock to effect the HSN transaction. Both transactions are subject to stockholder and FCC approval and the satisfaction of certain other conditions.

On June 27, 1995, the Company, the Class A shareholders of Blackstar Communications, Inc. ("BCI") and Fox Television Stations, Inc. ("Fox") executed a Limited Liability Company Agreement (the "LLC"), a side agreement to the LLC and a Funding Agreement establishing the rights and obligations of the parties pursuant to a new venture, Blackstar L.L.C., formed to acquire television stations in the United States which may affiliate with Fox. Effective December 15, 1995, the FCC granted applications of subsidiaries of Blackstar L.L.C. to acquire Station KHGI-TV, Kearney, Nebraska and its satellite stations KWNB-TV and KSNB-TV, licensed to Hayes Center and Superior, Nebraska, respectively; and Station KEVN-TV, Rapid City, South Dakota and its satellite station KIVV-TV, licensed to Lead-Deadwood, South Dakota. The KHGI-TV/KWNB-TV/KSNB-TV transaction has not yet been consummated. On February 7, 1996, the LLC was amended, which, in part, modified the Company's preferred stock and dividend rights in BCI, and the Company agreed to permit BCI to defer payment of current dividends. Also on February 7, 1996, the Company contributed its common stock interest in BCI to Blackstar L.L.C. and Blackstar L.L.C. consummated the acquisition of Stations KEVN-TV and KIVV-TV.

On April 5, 1996, the Company entered into a contract to sell its corporate headquarters building in St. Petersburg, Florida for \$3.0 million. The sale is expected to be completed by July 1, 1996 and the Company expects to record a gain on the sale of the building of approximately \$.5 million. There can be no assurance that the sale will be consummated, or that the terms of sale will not be materially changed.

On April 26, 1996, an entity in which the Company holds a 49% nonvoting common stock interest consummated the acquisition of Station KPST-TV, Vallejo, California which serves the San Francisco market. SKC Investments, Inc., a subsidiary of the Company, loaned the purchasing entity \$7.9 million on similar terms to other loans of this nature to finance the acquisition and the Company may fund an additional \$1.0 million for construction of a new studio.

On May 8, 1996, the Company received a prepayment of approximately \$1.4 million in full satisfaction of the note receivable from Roberts Broadcasting Company ("RBC"). The Company still retains a 45% nonvoting convertible common stock interest in RBC.

On May 8, 1996, the Company and Savoy entered into Amendment No. 1 to the Merger Agreement ("Amendment No. 1") extending certain dates in the Merger Agreement. Amendment No. 1 extends the termination date for the Merger Agreement from May 30, 1996 to July 30, 1996, except that, if the Merger has not been consummated due to the failure to obtain approval by the Federal Communications Commission, then such date shall be extended to October 30, 1996.

NOTE E - RESTRUCTURING

The Company has accrued \$2.0 million in restructuring charges (the "Restructuring"), which relate to termination benefits (including severance and out placement assistance) except for \$100,000 which is the estimated charge to relocate the corporate headquarters to Los Angeles, California. The total number of employees to be terminated related to this Restructuring is 95. The actual termination benefits paid and charged against the accrual as of March 31, 1996 are approximately \$1.1 million. There were no adjustments to the original \$2.0 million accrual for the Restructuring during the transition period.

NOTE F - RECLASSIFICATIONS

Certain amounts in the Company's balance sheet have been reclassified to reflect more recent information than was available when the transition Form 10-Q for the period ended December 31, 1995 was filed.

may also preempt HSC programming for an additional three hours per week (i.e., 156 hours per year) subject to forfeiture of twice the applicable hourly affiliation fee provided for in such Station's Affiliation Agreement. Notwithstanding anything else to the contrary, a Station may also preempt any amount of HSC programming for public interest reasons and in such event, such Station will forfeit twice the hourly affiliation fee for such preemption period.

The Station Affiliation Agreements provide for higher compensation to the Stations if a Station's Compensation Amount, which is based upon a formula involving HSC's net sales credited to the Station, exceeds the minimum affiliation fee based upon that Station's hourly affiliation rate. The determination is made on an annual basis within 30 days of each anniversary of the Affiliation Agreements. As a result of the July 2, 1993 Federal Communications Commission ruling that television stations with home shopping formats are eligible for "must carry" status (see "C. OTHER SIGNIFICANT MATTERS"), the Company believes that its Stations increased their viewership due to an increase in the number of cable systems that carried the Stations. Management believes this increased viewership, to some degree, increased the sales by HSC credited to the Stations during calendar year 1994, resulting in a portion of the additional affiliation fees received by the Company in January 1995. Based upon reported HSC sales performance for calendar year 1995, the Company received \$.8 million of additional affiliation fees in January 1996 accrued in December 1995 for sales by HSC credited to the Stations in calendar year 1995.

GENERAL AND ADMINISTRATIVE

For the quarter ended March 31, 1996, general and administrative expenses increased \$.4 million from \$5.5 million to \$5.9 million compared to the same period last year. The Company recognized approximately \$.9 million of charges under the terms of the Equity and Bonus Compensation Agreement (the "Agreement") between the Company and its Chairman, Barry Diller. The increase in compensation was offset by an \$.8 million decrease in payroll expenses due to the Restructuring which took place in December 1995. The remaining increase is primarily due to additional consulting and legal expenses associated with the terms of the Agreement. The Company has also initiated the hiring of several experienced broadcast executives which will increase general and administrative expenses in future periods.

In the event one or both of the Savoy and HSN transactions (as discussed in Note D of the financial statements) is not consummated, transaction costs of approximately \$4.0 million will be charged to operations and will increase general and administrative expenses.

DEPRECIATION AND AMORTIZATION

For the quarter ended March 31, 1996, depreciation and amortization decreased by \$.3 million from \$3.7 million to \$3.4 million compared to the same period last year. The decrease was primarily due to the closure of the Denver Telemation facility in December 1995. The Company sold many of the assets of Telemation decreasing the depreciation expense in the first quarter of fiscal year 1996.

OTHER INCOME (EXPENSE)

For the quarter ended March 31, 1996, other expense decreased by \$.5 million from \$2.1 million to \$1.6 million compared to the same period last year as a result of the recognition of interest income from the May 1995 settlement of the Company's lawsuit against Urban Broadcasting Corporation ("Urban") as discussed in Note C of the financial statements. The Company did not recognize any interest income from Urban in the same period last year.

INCOME TAXES

The Company's effective tax rate for periods presented differed from the statutory rate due primarily to the amortization of goodwill and other acquired intangible assets relating to acquisitions from prior years, other nondeductible items, and state income taxes.

State taxes are more significant than federal taxes for the Company as some of the Company's subsidiaries generate taxable income while others generate net operating losses. For federal tax purposes, the net operating losses offset the taxable income as the corporations file a consolidated federal tax return.

For state purposes, many states such as New Jersey, New York, Massachusetts and Maryland require each subsidiary doing business in the state to file a separate tax return. As related to the Company, subsidiaries doing business in New Jersey and New York generate significant taxable income and are therefore subject to state tax on this separate company taxable income. Other subsidiaries generate net operating losses for which no state tax benefit is received as the net operating loss cannot be offset against another subsidiary's taxable income for state tax purposes.

B. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$9.8 million as of March 31, 1996, compared with working capital of \$7.6 million as of December 31, 1995.

The Company historically has generated sufficient cash flow to fund its operating, investing and financing activities.

The Company has used its internally generated cash flow for investing activities to fund capital expenditures and investments in television broadcasting companies controlled by FCC-recognized minority groups. During the quarter ended March 31, 1996, the Company had capital expenditures of approximately \$1 million. The Company expects to utilize either internally generated funds or available cash to fund capital expenditures of approximately \$0.9 million during the 1996 calendar year, although the Company has no contractual commitments with any parties.

The Company has used its internally generated cash flow for financing activities to service principal obligations under its Credit Agreement with Chemical Bank and other named Lenders (the "Bank Group".) During the quarter ended March 31, 1996, the Company paid approximately \$3.1 million of principal obligations to the Bank Group and expects to pay approximately \$9.4 million during the remainder of 1996. Under certain conditions, the Company's Borrowing Group, which consists of all Company entities with the exception of SKC, Silver King Investment Holdings, Inc., Thames Acquisition Corp. (which will be merged into Savoy if such transaction is consummated) and SKC Investments, Inc., is required to fund mandatory principal prepayments in advance of scheduled principal payments to the Bank Group. The Borrowing Group may at any time fund optional principal prepayments in satisfaction of mandatory principal prepayments or in advance of scheduled principal payments to the Bank Group.

Based on current projections, the Company expects that all operating, investing and financing activities for calendar year 1996 will be met from either internally generated cash flow or available cash. However, in the event that these projections are not met, the Borrowing Group has a revolving credit facility available from the Bank Group of \$15.0 million.

In the event one or both of the Savoy and HSN transactions (as discussed in footnote D of the financial statements) is consummated, the Company's financial position and liquidity needs may change significantly.

On April 5, 1996, the Company entered into a contract to sell its corporate headquarters building in St. Petersburg, Florida for \$3.0 million. The sale is expected to be completed by July 1, 1996 and the Company expects to record a gain on the sale of the building of approximately \$0.5 million. There can be no assurance that the sale will be consummated, or that the terms of sale will not be materially changed.

On April 26, 1996, an entity in which the Company holds a 49% nonvoting common stock interest consummated the acquisition of Station KPST-TV, Vallejo, California which serves the San Francisco market. SKC Investments, Inc., a subsidiary of the Company, loaned the purchasing entity \$7.9 million on similar terms to other loans of this nature to finance the acquisition and the Company may fund an additional \$1.0 million for construction of a new studio.

On May 8, 1996, the Company received a prepayment of approximately \$1.4 million in full satisfaction of the note receivable from RBC. The Company still retains a 45% nonvoting convertible common stock interest in RBC.

C. OTHER SIGNIFICANT MATTERS

On July 2, 1993, the Federal Communications Commission ("FCC") ruled that stations predominantly used for the transmission of sales presentations or program-length commercials operate in the public interest and are entitled to "must carry" status. Therefore, if requested to do so pursuant to FCC rules, cable television systems must carry the signals of local commercial television stations with home shopping formats. A petition for reconsideration of the FCC's ruling currently is pending before the FCC. The Company has filed an opposition to that petition.

On April 8, 1993, a decision by the United States District Court for the District of Columbia upheld the constitutional validity of "must carry" generally. On appeal, in a multi-opinion decision released on June 27, 1994, the Supreme Court declined to rule on the constitutional validity of "must carry." Instead, the Supreme Court vacated the District Court decision and remanded the case to the District Court to permit development of a full factual record concerning the need for "must carry." On December 12, 1995, the District Court again upheld the constitutional validity of "must carry" by a two to one majority. The Supreme Court is expected to consider another appeal of the District Court decision in the fall of 1996.

On June 27, 1995, the Company, the Class A shareholders of Blackstar Communications, Inc. ("BCI") and Fox Television Stations, Inc. ("Fox") executed a Limited Liability Company Agreement (the "LLC"), a side agreement to the LLC and a Funding Agreement establishing the rights and obligations of the parties pursuant to a new venture, Blackstar L.L.C., formed to acquire television stations in the United States which may affiliate with Fox. Effective December 15, 1995, the FCC granted applications of subsidiaries of Blackstar L.L.C. to acquire Station KHGI-TV, Kearney, Nebraska and its satellite stations KWNB-TV and KSNB-TV, licensed to Hayes Center and Superior, Nebraska, respectively; and Station KEVN-TV, Rapid City, South Dakota and its satellite station KIVV-TV, licensed to Lead-Deadwood, South Dakota. The KHGITV/KWNB-TV/KSNB-TV transaction has not yet been consummated. On February 7, 1996, the LLC was amended, which, in part, modified the Company's preferred stock and dividend rights in BCI, and the Company agreed to permit BCI to defer payment of current dividends. Also on February 7, 1996, the Company contributed its common stock interest in BCI to Blackstar L.L.C. and Blackstar L.L.C. consummated the acquisition of Stations KEVN-TV and KIVV-TV.

On April 5, 1996, the Company entered into a contract to sell its corporate headquarters building in St. Petersburg, Florida for \$3.0 million. The sale is expected to be completed by July 1, 1996 and the Company expects to record a gain on the sale of the building of approximately \$.5 million. There can be no assurance that the sale will be consummated, or that the terms of sale will not be materially changed.

On April 26, 1996, an entity in which the Company holds a 49% nonvoting common stock interest consummated the acquisition of Station KPST-TV, Vallejo, California which serves the San Francisco market. SKC Investments, Inc., a subsidiary of the Company, loaned the purchasing entity \$7.9 million on similar terms to other loans of this nature to finance the acquisition and the Company may fund an additional \$1.0 million for construction of a new studio.

On May 8, 1996, the Company received a prepayment of approximately \$1.4 million in full satisfaction of the note receivable from RBC. The Company still retains a 45% nonvoting convertible common stock interest in RBC.

On May 8, 1996, the Company and Savoy entered into Amendment No. 1 to the Merger Agreement ("Amendment No. 1") extending certain dates in the Merger Agreement. Amendment No. 1 extends the termination date for the Merger Agreement from May 30, 1996 to July 30, 1996, except that, if the Merger has not been consummated due to the failure to obtain approval by the Federal Communications Commission, then such date shall be extended to October 30, 1996.

Roy M. Speer indirectly controls the Company through the ownership, by RMS Limited Partnership ("RMSLP"), a Nevada limited partnership, of 100% of the Company's Class B Common Stock. On February 11, 1993, RMSLP entered into an agreement granting an assignable option to purchase 2,000,000 shares of its Class B Common Stock in the Company to Liberty Media Corporation ("Liberty"). This agreement was subsequently amended on September 23, 1994, and Liberty retained its option to purchase 2,000,000 shares. Liberty and Barry Diller entered into an agreement pursuant to which Liberty and Mr. Diller have formed Silver Management Company ("SMC") to which Liberty intends to assign the option. On March 6, 1996, the FCC granted its approval of the transfer of control of SKC from Mr. Speer to SMC by the proposed consummation of the option. However, the FCC attached certain conditions to the grant and also adopted a stay order released on the same day as the grant delaying the effectiveness of the grant until the agency completed an investigation of allegations raised against SKC by Urban Broadcasting Corporation ("Urban") that could implicate SKC's qualifications as an FCC licensee. SMC has filed a pleading requesting that the FCC delete or modify one of the conditions to the grant which requires prior FCC approval if Liberty's parent company, Tele-Communications, Inc., materially increases its cable systems' percentage of subscribers in any of the 11 markets served by the Company's Stations. Separately, SKC has filed pleadings at the FCC opposing Urban's allegations and seeking an order vacating the stay. A decision is currently pending on SMC's request and the FCC's investigation of the Urban allegations. If a sale pursuant to exercise of the option is consummated between RMSLP and SMC, Mr. Speer will no longer control the Company.

On February 8, 1996, the President signed into law the Telecommunications Act of 1996 (the "Act"). The Act permits, among other things, one company to own an unlimited number of full-power, full-service television stations and increases permissible national coverage by one company's television stations from 25% to 35% of television homes. The Act also repeals the ban contained in the Communications Act of 1934, as amended, on ownership by one entity of a cable television system and television station in the same market, but leaves the FCC's regulation precluding cable system-television station cross-ownership in place. The Act also directs the FCC to conduct a rulemaking proceeding addressing its local television ownership rules.

As a result of the Restructuring, on December 12 and December 22, 1995, the IBEW and CWA in Newark, New Jersey and Central Islip, New York, respectively, withdrew union recognition with respect to Company Stations WHSE-TV and WHSI-TV.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Part I, Item 1. Financial Statements. Note C -- Litigation

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K AND FORM 8-K/A.

(a) Exhibits

- 10.1 Equity and Bonus Compensation Agreement, dated as of August 24, 1995, between Silver King Communications, Inc. and Barry Diller.
 - 10.2 Stock Pledge Agreement, dated as of August 24, 1995, between SKC Investments, Inc. and Barry Diller.
 - 10.3 Non-Recourse Secured Promissory Note, dated as of August 24, 1995, executed by Barry Diller.
 - 10.4 AMENDMENT NO. 1 TO THE AGREEMENT AND PLAN OF MERGER, dated as of May 8, 1996, by and among Silver King Communications, Inc., Thames Acquisition Corp., and Savoy Pictures Entertainment, Inc., regarding the extension of date for termination of Merger Agreement.
- 27 Financial Data Schedule (for SEC use only)

(b) Reports on Form 8-K and Form 8-K/A

The Company filed a report on Form 8-K on February 13, 1996 disclosing a change of Certifying Accountants for the fiscal year ending December 31, 1996.

The Company filed a report on Form 8-K/A on March 1, 1996 disclosing that there had been no disagreements with the Company's Certifying Accountants during the previous two fiscal years.

SILVER KING COMMUNICATIONS, INC. AND SUBSIDIARIES

SIGNATURES

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

SILVER KING COMMUNICATIONS, INC.
(Registrant)

Date: May 15, 1996

/s/ Barry Diller

Barry Diller, Chairman and Chief Executive Officer

Date: May 15, 1996

/s/ Steven H. Grant

Steven H. Grant, Executive Vice President,
Chief Financial/Administrative Officer
and Treasurer

Date: May 15, 1996

/s/ Joan E. Halfaker

Joan E. Halfaker, Vice President and
Controller
(Principal Accounting Officer)

EQUITY AND BONUS COMPENSATION AGREEMENT

AGREEMENT by and between Silver King Communications, Inc., a Delaware corporation (the "Company"), and Barry Diller (the "Executive"), dated as of the 24th day of August, 1995.

WHEREAS, the Board of Directors of the Company (the "Board") has approved the Term Sheet entered into by the Company and the Executive, dated as of the date hereof, relating to the subject matter hereof (the "Term Sheet"); and

WHEREAS, the Term Sheet provides for the grant to the Executive of options to purchase the common stock, par value \$.01 per share (the "Stock"), of the Company (the "Options") in tandem with the LSARs (as defined herein), on terms and conditions set forth in the Term Sheet; and

WHEREAS, the Term Sheet provides that the Executive will serve as Chairman of the Board and/or Chief Executive officer and/or President of the Company on certain terms and conditions; and

WHEREAS, the Term Sheet also provides for the payment of certain bonuses to the Executive; and

WHEREAS, Executive and the Company wish to set forth the terms and conditions of the Options and such

(c) Method of Exercise. (i) Notice. Subject to the provisions of this Section 1, the Executive may exercise one or more Options at any time when they are exercisable by giving written notice of exercise to the Company specifying: (A) the number of shares of Stock with respect to which the Options are being exercised; (B) the method of withholding of taxes that the Executive has chosen pursuant to paragraph (d) of Section 9, if not previously specified; and (C) whether the Executive elects to pay the exercise price by (1) tendering to the Company previously owned shares of Stock with an aggregate Fair Market Value (calculated as of the day before the date of exercise) equal to the aggregate exercise price of the Options being exercised or (2) delivering to the Company (I) a copy of an irrevocable instruction from the Executive to an underwriter or broker directing such underwriter or broker to sell shares of Stock to be acquired by the exercise of such Options in an amount (net of brokers', and underwriters', fees, commissions or discounts) sufficient to pay such exercise price in full, and promptly remit to the Company the amount of such exercise price, all of which arrangements shall be reasonably satisfactory to the Company, (II) irrevocable instructions from the Executive to the Company to withhold from the shares of Stock to be acquired by the exercise of such Options a number of shares having a Fair Market Value on the date of exercise sufficient to pay such exercise price in full or (III) a combination of the

foregoing (in the case of (I), (II) or (III), a "Cashless Exercise").

(ii) Payment of Exercise Price. Upon the exercise of an Option, except to the extent the Executive pays the applicable exercise price by means of a Cashless Exercise, the Executive shall pay the applicable exercise price in cash, by bank check or such other instrument as the Company may accept.

(iii) Issuance of Stock. As soon as practicable after receiving (A) payment of the applicable exercise price of an Option that is exercised or (B) the certificates for the shares of Stock referred to in clause (C)(1) of subparagraph (c)(i) of this Section 1, or (c) the instructions referred to in clause (C)(2)(I) or (II), as applicable, of subparagraph (i) of paragraph (c) of this Section 1 with respect to the exercise of an Option by Cashless Exercise and the Company's reasonable satisfaction with the arrangements in respect thereof, as applicable, but subject to the provisions of paragraph (d) of Section 9 (pertaining to the withholding of taxes), the Company shall issue to the Executive in accordance with his instructions one or more stock certificates in respect of the Stock acquired by that exercise (net of any shares to be retained by the Company pursuant to clause (C)(1) of subparagraph (c)(i) of this section 1), which certificates shall be registered in the name of the Executive

and shall bear an appropriate legend substantially in the following form:

The securities represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any state, and may not be sold or otherwise disposed of except pursuant to an effective registration statement under said Act and applicable state securities laws or an applicable exemption to the registration requirements of such Act or laws.

In addition, such securities shall also bear an appropriate legend referring to any restrictions on the sale, transfer, assignment, pledge or other disposition of such Stock contained in any stockholders agreement to which the Executive is a party. When the Executive has given proper notice of exercise of an Option and has paid the applicable exercise price in full as provided above, the Executive shall have all of the rights of a stockholder of the Company holding the Stock acquired by such exercise (including, if applicable, the right to vote the shares or express consent and the right to receive dividends).

(d) Effect of a Change in Control. (i) Options. Upon a Change in Control, all Options that have not previously become exercisable or been terminated shall become exercisable.

(ii) LSARS. With respect to each Option that has not been exercised or terminated as of the date a Change in

Control occurs, from and after the date of the Change in Control until the termination of the Options in accordance with Section 1 above, the Executive shall have the right (an "LSAR"), in lieu of exercising such Option in accordance with Section 1 above, upon notice to the Company of his election to exercise an LSAR, to surrender such Option to the Company for cancellation in exchange for cash in an amount equal to the amount by which the Change in Control Price per share of the Stock on the date of such election exceeds the exercise price per share of Stock under such Option, multiplied by the number of shares of Stock subject to such Option as to which the right granted under this paragraph (d) of Section 1 is being exercised; provided, however, that if the Change in Control occurs within six months of the date of this Agreement, no such election shall be made before the expiration of six months from the date of this Agreement.

(e) Other Terms and Conditions of Options and LSARS. (i) Nontransferability. No Option or LSAR shall be transferable by the Executive except (i) by will or by the laws of descent and distribution or (ii) with the consent of the Board of Directors of the Company. Any transfer or purported transfer in violation of this paragraph shall be void and of no effect. All Options and LSARS shall be exercisable, during the Executive's lifetime, only by the Executive or by the guardian or legal representative of the Executive,

it being understood that for purposes of this Section 1, references to the Executive include the guardian and legal representative of the Executive and any person to whom an Option and the related LSAR is transferred by will or the laws of descent and distribution.

(ii) Adjustments. (A) Dividends, Etc. The number and kind of securities purchasable upon the exercise of the Options and the exercise price of the Options shall be subject to adjustment from time to time upon certain events, as follows:

(1) If the Company pays a dividend in shares of Stock, makes a distribution to all holders of shares of any class of its capital stock in shares of Stock, subdivides its outstanding shares of Stock into a greater number of shares, or combines its outstanding shares of Stock into a smaller number of shares of Stock, then the number of shares of Stock purchasable upon exercise of the Options shall be adjusted so that the Executive shall be entitled to receive the kind and number of shares or other securities of the Company that it would have owned and/or been entitled to receive as a result of any of the events described above, had such Options been exercised immediately before such event, effective immediately after the effective date of such event.

(2) whenever the number of shares of Stock purchasable upon the exercise of the Options is adjusted pursuant to this subparagraph (ii)(A) of paragraph (e) of Section 1, the exercise price per share shall also be adjusted (to the nearest cent) by multiplying the exercise price per share immediately before such adjustment by a fraction, the numerator of which is the number of shares of Stock purchasable upon the exercise of the Options immediately before such adjustment, and the denominator of which is the number of shares of Stock so purchasable immediately thereafter.

(3) In the event that at any time, as a result of an adjustment made pursuant to this subparagraph (ii)(A) of paragraph (e) of Section 1, the Options shall become exercisable for any securities of the Company other than shares of Stock, thereafter the number of such other securities so purchasable upon exercise of the Options and the exercise price of such securities shall be subject to adjustment from time to time in a manner and on terms as equivalent as practicable to the provisions of this subparagraph (A) with respect to the shares of Stock.

(B) Preservation of Purchase Rights Upon Reclassification, Consolidation, etc. In case of any reclassification or change of outstanding Stock or other securities purchasable upon exercise of the Options (other than a change in par value or as a result of a subdivision or combination of shares of Stock), recapitalization, separation (including a spin-off or other distribution of stock or property of the Company), reorganization, any dividend or distribution not described in subparagraph (ii)(A)(1) of this paragraph (e) of Section 1, or any consolidation or merger of the Company with another corporation (other than a consolidation or merger in which the Company is the surviving corporation that does not result in any reclassification of or change in the outstanding shares of Stock) or partial or complete liquidation, or any sale or conveyance to another corporation of all or substantially all of the assets of the Company (other than by mortgage or pledge), then the Company or such successor or purchasing corporation, as the case may be, shall undertake to assure that: (1) the Options shall be exercisable, upon

payment of the applicable exercise price in effect immediately before such action, for the kind and amount of shares and other securities and property that the Executive would have owned and/or been entitled to receive after such action, had such Options been exercised immediately before such action; and (2) each such Option, and the applicable exercise price, shall be subject to adjustments, which shall, to the greatest extent practicable, be equivalent to, and subject to the same terms and provisions as, the adjustments provided for in this paragraph (e) of Section 1. The provisions of this paragraph shall similarly apply to successive reclassifications, consolidations, mergers, sales and conveyances.

(C) LSARS. Upon any adjustments of an Option pursuant to the foregoing provisions of this subparagraph (ii), corresponding adjustments to the related LSAR shall also be made.

(D) Post-Adjustment References. Following an adjustment Under this paragraph (e) of Section 1, all references in this Section 1 to the number of Options and LSARS, the number and kind of shares of Stock subject thereto, and the exercise price thereof, shall be deemed to refer to such number, kind and exercise price as adjusted.

2. Bonuses. (a) Initial Bonus. The Company shall pay the Executive a bonus (the "Initial Bonus") equal to the

amount such that, after payment of all Taxes on the Initial Bonus, the Executive will retain an amount sufficient to pay all Taxes that he is required to pay as a result of the purchase of the Initial Shares and the Additional Shares, determined as set forth in this Section 2. The determination of the amount of the Initial Bonus shall be made by the Accounting Firm based upon the assumption that the Executive pays all applicable Taxes at the highest marginal rate thereof, and such determination shall be final and binding upon the Company and the Executive. The Accounting Firm shall notify the Company and the Executive of the amount of the Initial Bonus as so determined on or before October 15, 1995, and the Company shall pay the Initial Bonus to the Executive in a single cash lump sum payment within five business days after receipt of such notice. Notwithstanding the foregoing, in no event shall the amount of the Initial Bonus exceed \$1,000,000.

(b) Additional Bonuses. In addition to the Initial Bonus, the Company shall pay the Executive the following bonuses (the "Additional Bonuses"): on August 24, 1996, the Company shall pay the Executive, in a single cash lump sum payment, \$2,498,889.63, and on August 24, 1997, the Company shall pay the Executive, in a single cash lump sum payment, \$2,498,889.62; Provided, however, that the Additional Bonuses shall be payable immediately in full (to the extent not theretofore paid) upon the first to occur of (i) a Change in

Control of the Company, or (ii) the termination of the Executive's employment with the Company for any reason other than (A) by the Company at any time for Cause or (B) by the Executive at any time before the Control Date without Good Reason; provided, further, that in the event the Executive's employment is terminated for Cause prior to the date on which an Additional Bonus is otherwise due, the obligation of the Company to pay any such Additional Bonus shall terminate. Except as provided in paragraph (d) of Section 9 with respect to the withholding of taxes, neither the Company nor the Executive shall have the right to offset all or any portion of the Additional Bonuses against any amount owed by the Executive to the Company.

(c) Severance Bonus. If the Executive's employment with the Company is terminated on or before August 24, 1996 for any reason other than by the Company for Cause, the Company shall pay the Executive an additional bonus (the "Severance Bonus") equal to two times the amount (if any) by which \$4,999,989.25 exceeds the Fair Market Value, on the date of such termination, of the Additional Shares; provided, however, that the Severance Bonus shall in no event exceed \$2,000,000.

(d) Penalty for Late Payment of Additional and Severance Bonuses. Subject to the provisions of this Agreement, in the event that the Company does not pay when due all

or any portion of any of the bonuses provided for in paragraph (b) or (c) of this Section 2, and the Executive shall have provided the Company with written notice that such bonus is due and has not been timely paid in full, the Company shall have three business days after receipt of such notice to pay such unpaid amount (the "Late Payment Date"). If any portion of such unpaid amount remains unpaid at the close of business on the Late Payment Date, the remaining unpaid amount shall be increased by 20% (as so increased, the "Unpaid Bonus"). The amount of the Unpaid Bonus shall accrue interest from and after the Late Payment Date until the date of payment at the short-term applicable federal rate, as defined in Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Unpaid Bonus, together with all such accrued interest, shall be immediately due and payable.

3. Registration. Upon request by the Executive, the Company shall use all reasonable efforts promptly to effect a registration of Stock owned by the Executive without cost to the Executive, other than underwriting discounts and commissions, any broker or dealer fees or commissions and the fees and expenses of any special accounting required in connection with the registration, which shall be paid by the Executive; provided, however, that the Company shall not be obligated to effect any registration pursuant to this paragraph if counsel designated by the Company (which counsel

shall be reasonably acceptable to the Executive) delivers an opinion to the Executive to the effect that the number of shares of Stock specified in such request for registration could then be sold by the Executive within a three-month period under Rule 144 (or any successor provision then in effect) under the Securities Act of 1933, as amended, and the Executive is then entitled to sell Stock pursuant to said Rule 144. Such registration shall be effected pursuant to registration rights customary under the circumstances.

4. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its stockholders or affiliated companies and for which the Executive may qualify. Furthermore, nothing in this Agreement shall limit or otherwise affect such rights or obligations as the Executive may have, subject to paragraph (f) of Section 9, under any other contract or agreement with the Company or any of its stockholders or affiliated companies.

5. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this

Agreement or otherwise, but determined without regard to any additional payments required under this Section 5) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of paragraph (c) of Section 5, all determinations required to be made under this Section 5, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Accounting Firm in its reasonable discretion and good faith, which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested

by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 5, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph (c) of Section 5 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay

such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this paragraph (c) of Section 5, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue

or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount paid or advanced by the Company pursuant to paragraphs (b) or (c) of Section 5, the Executive becomes entitled to receive any refund with respect to such amount, the Executive shall (subject to the Company's complying with the requirements of paragraph (c) of Section 5) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) of Section 5, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

6. Certain Other Terms and Conditions of Employment. (a) Expense Reimbursement. The Company shall pay, or shall reimburse the Executive for, the Executive's out-of-pocket expenses related to his employment by the Company, on a basis consistent with such reimbursements from his prior employer.

(b) Incentive Compensation Plans. In addition to the compensation provided for in this Agreement, and subject to any required approval of the Board, the Executive shall be entitled, during his employment by the Company, to participate in any and all incentive compensation plans of any kind (including without limitation short-term and long-term plans and programs and cash-based and stock-based plans and programs) maintained by the Company from time to time for its management and/or key employees.

(c) Indemnification. If Executive or his affiliates are or become a party or are threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative, the Company shall indemnify the Executive and his affiliates against, and hold them harmless from, to the fullest extent permitted by law, any and all claims, costs and expenses (including reasonable attorneys' fees and expenses), judgments, fines and settlements (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld), whether involving third parties or otherwise, incurred by or asserted against the Executive and his affiliates (including without limitation contests between the Company and the Executive, or between either of them and any third party, and including without limitation contests involving any payment pursuant to this Agreement) in connection with or arising from the

Executive's serving as Chairman of the Board and/or Chief Executive Officer of the Company (and, if applicable, President of the Company) and the Executive and his affiliates' entering into any and all definitive agreements contemplated by or entered into pursuant to the Term Sheet, including without limitation the stockholders agreement. The right of indemnification shall include the advancement and payment of any and all expenses of the Executive and his affiliates in connection with any matter for which the Executive may be entitled to indemnification. Notwithstanding the foregoing, neither Executive nor his affiliates shall be entitled to indemnification with respect to any action, suit or proceeding by or on behalf of the Company in which the Executive is finally determined to have breached the Stock Pledge Agreement.

(d) Legal Fees. The Company shall pay and/or reimburse the Executive for all legal fees and expenses incurred by him and his affiliates in connection with the negotiation of the Term Sheet and any and all definitive agreements contemplated by or entered into pursuant to the Term Sheet, including without limitation the stockholders agreement.

7. Definitions. The following terms shall have the meanings set forth in this Section 7.

(a) The "Accounting Firm" means Price Waterhouse or any other nationally recognized firm of certified public accountants reasonably acceptable to the Company that the Executive may designate.

(b) The "Additional Bonuses" has the meaning assigned to it in paragraph (b) of Section 2.

(c) The "Additional Shares" means the Additional Shares as defined in the Term Sheet, together with any other security into which the Additional Shares may be converted as a result of any reclassification, stock split, consolidation, merger or other change in the number or kind of security represented by the Additional Shares.

(d) The "Board" has the meaning assigned to it in the second paragraph of this Agreement.

(e) A "Cashless Exercise" has the meaning assigned to it in subparagraph (i) of paragraph (c) of Section 1.

(f) "Cause" means the willful and continued failure of the Executive substantially to perform his duties to the Company (other than as a result of physical or mental illness or injury), after the Board delivers to the Executive a written demand for substantial performance that specifically identifies the manner in which the Board believes that he has not substantially performed his duties.

(g) A "Change in Control of the Company" means any transaction in which 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")), other than the Executive, Liberty Media Corporation ("Liberty"), Roy M. Speer ("Speer"), and their respective affiliates (within the meaning of Rule 12b-2 promulgated under the Exchange Act), including any trusts or foundations established by Speer (a "Person"), acquires (i) beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of equity securities of the Company representing a majority of the voting power of the then-outstanding equity securities of the Company; (ii) all or substantially all of the assets of the Company; or (iii) in the event that the Executive and Liberty, and the members of their respective Stockholder Groups, collectively cease to beneficially own equity securities of the Company representing a majority of the voting power of the then-outstanding equity securities of the Company (for such purpose, treating any shares of Class B Common Stock of the Company then still subject to the Liberty Option as if they were owned by Liberty and/or the Executive), the greatest of (w) equity securities of the Company representing 25 percent of the voting power of the then-outstanding equity securities of the Company, (x) equity securities of the Company having an aggregate voting power in

excess of the aggregate voting power represented by the equity securities of the Company then owned by Liberty and the members of its Stockholder Group, and (y) equity securities of the Company having an aggregate voting power in excess of the aggregate voting power represented by the equity securities of the Company then owned by the Executive and the members of his Stockholder Group, and (z) at any time when Liberty and the Executive (or their respective affiliates) are parties to a stockholders agreement relating to the ownership and voting of equity securities of the Company, the Executive and his Stockholder Group own at least 1,000,000 shares of Stock (taking into account all shares of Stock issuable upon exercise of all unexercised Options, whether or not then exercisable, any other options to purchase, or securities convertible into, shares of Stock owned by the Executive and the members of his Stockholder Group, the Additional Shares and any other shares of Stock owned by the Executive and the members of his Stockholder Group), and the Executive is Chairman of the Board and/or Chief Executive Officer and/or President of the Company, equity securities of the Company having an aggregate voting power in excess of the aggregate voting power represented by the equity securities of the Company then owned by Liberty and the Executive and the members of their respective Stockholder Groups, collectively.

(h) The "Change in Control Price" means the higher of (i) the highest reported sales price, regular way, of a share of Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (ii) if the Change in Control is the result of a tender or exchange offer or merger, consolidation or other similar transaction (a "Corporate Transaction"), the highest price per share of Stock paid in such tender or exchange offer or Corporate Transaction; provided, however, that if the Change in Control occurs within six months of the date of this Agreement, then the Change in Control Price shall be the Fair Market Value of the Stock on the date the LSAR is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, or, for purposes of the provision in the preceding sentence, to determine the Fair Market Value of the Stock if such value is not otherwise determinable pursuant to the definition of "Fair Market Value" contained herein, the value of such securities or other noncash consideration shall be determined in good faith by the Board.

(i) The "Code" has the meaning assigned to it in paragraph (a) of Section 5.

(j) The "Company" means the Company as defined in the first paragraph of this Agreement and any successor to its business and/or assets that assumes and agrees to perform this Agreement by operation of law, or otherwise.

(k) The "Control Date" means the date on which the Liberty Option shall have been validly exercised.

(l) The "Excise Tax" has the meaning assigned to it in paragraph (b) of Section 5.

(m) The "Executive" has the meaning assigned to it in the first paragraph of this Agreement.

(n) "Fair Market Value" means, as of any given date, the mean between the highest and lowest reported sales prices of the Stock in the over-the-counter market, as reported by NASDAQ, or, if the Stock is listed on a national securities exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national security exchange on which the Stock is listed or admitted to trading, on that date or, if there are no reported sales on that date, on the next day after that date on which there are such reported sales.

(o) "Good Reason" means the assignment to the Executive of any duties inconsistent in any respect with his position as Chairman of the Board and/or CEO and/or President, as the case may be, of the Company, or any other action

by the Company that results in a diminution in his position, authority, duties or responsibilities; any reduction of the Executive's compensation or benefits below what is required by the terms of his employment with the Company; and any purported termination of the Executive's employment by the Company other than for Cause.

(p) The "Initial Bonus" has the meaning assigned to it in paragraph (a) of Section 2.

(q) The "Initial Shares" means the 220,994 shares of Stock purchased by the Executive in exchange for cash as of August 24, 1995.

(r) The "Liberty Option" means the option, held by Liberty on the date hereof, to acquire shares of Class B Common Stock of the Company from RMS Limited Partnership.

(s) The "LSARs" has the meaning assigned to it in subparagraph (ii) of paragraph (d) of Section 1.

(t) "NASDAQ" means the National Association of Securities Dealers, Inc. Automated Quotations System.

(u) The "Options" has the meaning assigned to it in the third paragraph of this Agreement.

(v) The "Severance Bonus" has the meaning assigned to it in paragraph (c) of Section 2.

(w) The "Stock" means the common stock of the Company, par value \$.01 per share.

(x) "Stockholder Group" means, in the case of Liberty, Liberty and the controlled affiliates of Liberty and Tele-Communications, Inc. and, in the case of the Executive, the Executive and his 90-percent owned and controlled affiliates.

(y) "Taxes" means all federal, state and local income and other applicable taxes.

(z) The "Term Sheet" has the meaning assigned to it in the second paragraph of this Agreement.

(aa) An "Underpayment" has the meaning assigned to it in paragraph (b) of Section 5.

8. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive except by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's guardian and legal representatives. The Executive shall be entitled to assign any rights of the Executive under this Agreement to any corporation or other entity at least 90% owned by the Executive, in which case all references in this Agreement to the Executive shall thereafter refer to such corporation or other entity, as the case may

be, and such corporation or entity shall thereupon become bound hereby, provided, that prior to such time as the Executive ceases to own at least 90% of such corporation or entity, the Executive shall cause such rights to be reassigned to the Executive or another corporation or entity at least 90% owned by the Executive.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, except as otherwise provided in subparagraph (ii) of paragraph (e) of Section 1.

9. Miscellaneous. (a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties

hereto or their respective successors and legal representatives.

(b) Notices. All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, overnight courier, or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

1940 Coldwater Canyon
Beverly Hills, CA 90210

Facsimile: (310) 247-9153

If to the Company:

12425 28th Street North
St. Petersburg, FL 33716

Attention: Chief Financial Officer
General Counsel

Facsimile: (813) 572-1488

or to such other address or facsimile number as any party shall have furnished to the others in writing in accordance with this paragraph (b) of Section 9. Notice and communications shall be effective when actually received by the addressee.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Executive for federal income tax purposes with respect to any Options under this Agreement, the Executive shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Taxes that are required by law to be withheld with respect to such amount. The obligations of the Company under this Agreement shall be conditional on such payment or arrangements.

(e) No Waiver. The failure of the Executive or the Company to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have under this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) Entire Agreement. The Executive and the Company acknowledge that this Agreement supersedes any prior agreement (including the Term Sheet) between the parties with respect to the subject matter of this Agreement.

(g) Counterparts. This Agreement may be executed in counterparts, which together shall constitute one and the same original.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to authorization from

their respective governing authorities, the Company has caused this Agreement to be executed in its name on their behalf, all as of the day and year first above written.

/s/ Barry Diller

Barry Diller

SILVER KING COMMUNICATIONS, INC.

By /s/ Steven H. Grant

Executive Vice President

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT (the "Stock Pledge Agreement") , dated as of August 24, 1995, is made and entered into by and between SKC Investments, Inc., a Delaware Corporation ("SKC"), and Barry Diller (the "Pledgor").

W I T N E S S E T H:

WHEREAS, the Pledgor and Silver King Communications, Inc., a Delaware corporation (the "Company"), have entered into a certain Equity Compensation Agreement, dated as of August 24, 1995 (as such agreement may be amended from time to time, the "Agreement") whereby the Company has agreed, inter alia, to issue and sell to Pledgor 441,988 shares of common stock, par value \$0.01 per share, of the Company (the "Shares"). Capitalized terms used herein and not otherwise defined shall have the same meanings ascribed to them in the Agreement;

WHEREAS, in consideration of a loan by SKC to the Pledgor of \$4,997,779.25, receipt of which by the Pledgor is hereby acknowledged, to enable the Pledgor to purchase 220,994 of the Shares (the "Restricted Shares"), the Pledgor is delivering to SKC a duly executed Non-Recourse Secured Promissory Note of the Pledgor in the principal amount of \$4,997,779.25 dated as of the date hereof (as such note may be amended from time to time, the "Note");

WHEREAS, the Pledgor wishes to grant further security and assurance to SKC as provided in this Agreement in order to secure the payment of the principal of, and all fees, expenses and other amounts owing in respect of, the Note and to pledge to SKC the Restricted Shares along with 44,199 additional Shares (the "Additional Pledged Shares");

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Pledge. As collateral security for the full and timely payment of the principal of, and all fees, expenses and other amounts owing in respect of, the Note, the Pledgor hereby delivers, deposits, pledges, transfers and assigns to SKC, in form transferable for delivery, and creates in SKC a continuing security interest in (i) the

Restricted Shares, the Additional Pledged Shares and all certificates or other instruments or documents evidencing any of the above now owned by the Pledgor (together with any securities or property required to be delivered to the Pledgor pursuant to section 2(b) hereof, the "Pledged Securities") (ii) all dividends, payments and distributions of every kind due and payable or distributable in respect of all or any of the Pledged Securities (the "Pledged Dividends") and (iii) all other property, assets, accounts and moneys received by Pledgor in respect of the Pledged Securities or the sale, transfer, assignment, encumbrance or other disposition thereof (together with the Pledged Securities and Pledged Dividends, the "Collateral").

The Pledgor hereby delivers to SKC the Pledged Securities and appropriate undated security transfer powers duly executed in blank for the Pledged Securities set forth above.

Section 2. Administration of Collateral. The following provisions shall govern the administration of the Collateral:

(a) So long as no Event of Default has occurred and is continuing (as used herein, "Event of Default" shall mean the occurrence of any Event of Default under the Note), the Pledgor shall be entitled to act with respect to the Pledged Securities in any manner not inconsistent with this Stock Pledge Agreement, the Agreement, the Note or any document or instrument delivered or to be delivered pursuant to or in connection with the Agreement, including voting the Pledged Securities and receiving all cash Pledged Dividends and giving consents, waivers and ratifications in respect thereof.

(b) (i) If, while this Stock Pledge Agreement is in effect, the Pledgor shall become entitled to receive or shall receive any debt or equity security certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital, or issued in connection with any reorganization), option or right, whether as a dividend or distribution in respect of, in substitution of, or in exchange for any Pledged Securities, or in the event of a recapitalization, reclassification or similar transaction, the Pledgor agrees to accept the same as SKC's agent and to hold the same in trust on behalf of and for the benefit of SKC and to deliver the same forthwith to SKC in the exact form received, with the endorsement of the Pledgor, when necessary, and/or appropriate undated security

transfer powers duly executed in blank, to be held by SKC, subject to the terms of this Stock Pledge Agreement, as additional Collateral. Notwithstanding the foregoing, it is agreed that the Pledgor may exercise any option or right received as contemplated in the preceding sentence, and SKC will exercise any such option or right upon receipt of written instructions to such effect, accompanied by any required payments or documents from the Pledgor and the securities received upon such exercise of any such option or right shall be delivered to and thereafter held by SKC as contemplated by the preceding sentence, subject to the other terms and conditions of this Stock Pledge Agreement.

(ii) SKC specifically acknowledges and agrees that the Pledgor shall be permitted to exchange any or all of the Restricted Shares and the Additional Pledged Shares for an equal number of shares of the Company's Class B Common Stock par value \$.01 per share (the "Class B Shares") pursuant to the terms of the Stockholders' Agreement, dated as of August 24, 1995, by and between Liberty Media Corporation ("Liberty") and the Pledgor (the "Stockholders' Agreement"), provided, however, that Pledgor shall deliver to SKC as Collateral hereunder all Class B Shares so obtained by Pledgor, which shall become Pledged Securities for all purposes hereunder. Upon receipt by SKC of Class B Shares as Collateral as described in the immediately preceding sentence, SKC shall release from the liens created hereunder that number of Shares equal to the number of Class B Shares so received and shall execute and deliver to Pledgor all releases or other documents reasonably requested by Pledgor to evidence such release.

(c) The Pledgor shall immediately upon request by SKC and in confirmation of the security interests hereby created, execute and deliver to SKC such further instruments, deeds, transfers, assurances and agreements, in such form and substance as SKC shall request, including any financing statements and amendments thereto, or any other documents, required under Delaware law and any other applicable law to protect the security interests created hereunder.

(d) Subject to the exercise of any right with respect to the Pledged Securities and other Collateral by SKC pursuant to this Stock Pledge Agreement, and subject to Sections 3 and 5 below, upon prepayment of \$2,498,889.63 of the principal amount of the Note, SKC shall release from the pledge hereunder and return to the Pledgor Pledged Securities evidencing an aggregate of 154,696 Shares and/or Class B Shares (in such proportion as requested by the Pledgor), together with any and all Pledged Dividends and other Pledged

Securities received by SKC pursuant to Section 2(b) hereof in respect of such 154,696 Shares and/or Class B Shares and shall execute and deliver to Pledgor all releases or other documents reasonably requested by Pledgor to evidence such release. The remaining Collateral shall be released from the pledge hereunder and returned to the Pledgor upon payment in full of the unpaid principal of and all fees, expenses and other amounts owing in respect of the Note.

Section 3. Remedies in Case of an Event of Default.

(a) Subject to paragraph (b) below, in case an Event of Default shall have occurred and be continuing, SKC shall have in each case all of the remedies of a secured party under the Delaware Uniform Commercial Code, and, without limiting the foregoing, shall have the right, in its sole discretion, to sell, resell, assign and deliver all or, from time to time, any part of the Collateral, including without limitation, the Pledged Securities, and any interest in or option or right to purchase any part thereof, on any securities exchange on which the Pledged Securities or any of them may be listed, at any private sale or public auction, with or without demand of performance or other demand, advertisement or notice of the time or place of sale or adjournment thereof or otherwise (except that SKC shall give ten days, notice to the Pledgor of the time and place of any sale pursuant to this Section 3, which period Pledgor agrees is reasonable notice within the meaning of Section 9-504(3) of the Uniform Commercial Code), for cash, on credit or for other property, for immediate or future delivery, and for such price or prices and on such terms as SKC shall reasonably determine, the Pledgor hereby waiving and releasing any and all right or equity of redemption whether before or after sale hereunder. At any such sale SKC may bid for and purchase the whole or any part of the Collateral so sold free from any such right or equity of redemption. SKC shall apply the proceeds of any such sale first to the payment of all costs and expenses, including reasonable attorneys' fees, incurred by SKC in enforcing its rights under this Stock Pledge Agreement, second to the payment of all fees, expenses and other amounts owing in respect of the Note and third to the unpaid principal of the Note. Any purchaser at any such sale described in this paragraph shall hold the property so purchased absolutely free from any claim or right on the part of the Pledgor, and the Pledgor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which the Pledgor may now have or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(b) Notwithstanding anything to the contrary contained herein, SKC shall not sell, assign or purchase any Pledged Securities consisting of Class B Shares. In the event SKC determines it is necessary to dispose of any of the Class B Shares in the exercise of its remedies hereunder (such shares, the "Foreclosed Class B Shares"), SKC shall first make an offer to Pledgor to exchange each Foreclosed Class B Share for a share of common stock of the Company. To the extent the Pledgor shall not make such exchange within 10 days of receipt of such offer, SKC shall then offer to exchange the remaining Foreclosed Class B Shares to Liberty (or its designee) and the Silver Company (as defined in the Stockholders' Agreement), which offer Liberty and the Silver Company shall have 10 days to accept or reject, for an equal number of shares of common stock of the Company, in which case such exchange shall occur following the receipt of all required regulatory consents, authorizations and approvals and the expiration of all waiting periods in connection with such exchange or sale, if any. If, after making the offers and exchanges described above in this Section 3(b), SKC retains any Foreclosed Class B Shares, prior to any disposition thereof to any person or entity other than Pledgor, Liberty (or its designee) or the Silver Company, SKC shall cause the Company to convert to common stock each such Foreclosed Class B Share pursuant to the terms of the Class B Shares and the Company's Restated Certificate of Incorporation. Upon the transfer to Pledgor, Silver Company or Liberty of any Foreclosed B Shares, SKC shall release from the liens created hereunder such transferred shares and shall execute and deliver to Pledgor, Silver Company or Liberty, as the case may be, all releases or other documents reasonably requested by such entity to effect such release.

(c) The Pledgor recognizes that SKC may be unable to effect a public sale of all or a part of the Collateral by reason of certain prohibitions contained in the Securities Act or in the rules and regulations promulgated thereunder or in applicable state securities, or "blue sky," laws, but may be compelled to resort to one or more private sales to a purchaser or group of purchasers, including Liberty (or its designee) and/or the Silver Company, who will be obliged to agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Pledgor agrees that private sales so made may be at prices and on other terms less favorable to the seller than if the Collateral was sold at public sale, and that SKC has no obligation to delay the sale of the Collateral for the period of time necessary to permit the registration of the Pledged Securities or other Collateral for public sale under the Securities Act and under

applicable state securities, or "blue sky," laws. The Pledgor agrees that a private sale or sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner.

(d) Neither failure nor delay on the part of SKC to exercise any right, remedy, power or privilege provided for herein or by statute or at law or in equity shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 4. Pledgor's Obligations Not Affected. The obligations of the Pledgor under this Stock Pledge Agreement shall remain in full force and effect without regard to, and shall not be impaired or affected by (a) any subordination, amendment or modification of or addition or supplement to the Agreement or the Note; (b) any exercise or non-exercise by SKC of any right, remedy, power or privilege under or in respect of this stock Pledge Agreement or the Note, or any waiver of any such right, remedy, power or privilege; (c) any waiver, consent, extension, indulgence or other action or inaction in respect of the Note or any assignment or transfer of the Agreement, the Note or this Stock Pledge Agreement; or (d) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like, of SKC, whether or not the Pledgor shall have notice or knowledge of any of the foregoing.

Section 5. Transfer by Pledgor. The Pledgor will not sell, assign, transfer or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber the Pledged Securities or any interest therein, except in accordance with this Stock Pledge Agreement, the Agreement and the Stockholders' Agreement. In the event of a sale, assignment, transfer or other disposition of or mortgage, pledge or other encumbrance of Pledged Securities pursuant to the Agreement or the Stockholders' Agreement, the Pledged Securities so sold, assigned, transferred or otherwise disposed of or mortgaged, pledged or otherwise encumbered shall remain subject to the provisions of this Stock Pledge Agreement, except as provided in Section 2(b)(ii), and no such sale, assignment, transfer or other disposition of or mortgage, pledge or other encumbrance of Pledged Securities may be effected (other than an exchange of Shares as provided in Section 2(b)(ii) hereof) unless and until the proposed purchaser, assignee, transferee or other acquiror, mortgagee or pledgee shall agree in writing, in form and substance satisfactory to SKC in its sole discretion, to be bound by

all the terms of this Stock Pledge Agreement with the same force and effect as if such transferee were a party hereto.

Section 6. Attorney-in-Fact. SKC is hereby appointed the attorney-in-fact of the Pledgor and the Pledgor's transferees for the purpose of carrying out the provisions of this Stock Pledge Agreement and taking any action and executing any instrument that SKC reasonably may deem necessary or advisable to accomplish the purposes hereof and/or to exercise its rights hereunder, which appointment as attorney-in-fact is irrevocable as one coupled with an interest.

Section 7. Termination. Upon payment in full of the unpaid principal of, and all fees, expenses and other amounts owing in respect of, the Note, this Stock Pledge Agreement shall terminate, the liens created hereunder shall be released and all rights in the Collateral shall revert to Pledgor. Following such termination, SKC shall deliver such of the Pledged Securities and other Collateral as have not theretofore been released pursuant to Section 2(d) or Section 5 hereof or otherwise applied pursuant to the provisions of this Stock Pledge Agreement (including pursuant to Section 3) and, upon request of Pledgor, shall execute and deliver to Pledgor such documents as Pledgor shall reasonably request to evidence such termination and release.

Section 8. Notice. All notices or other communications required or permitted to be given hereunder shall be delivered as provided in the Agreement and, in the case of SKC, in care of the Company at the address provided in the Agreement.

Section 9. Binding Effect, Successors and Assigns. This Stock Pledge Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and nothing herein is intended or shall be construed to give any other person any right, remedy or claim under, to or in respect of this Stock Pledge Agreement. Notwithstanding the foregoing, the parties hereto acknowledge and agree that each of Liberty and the Silver Company shall be beneficiaries of the provisions of Section 3(b) hereof and shall be entitled to enforce the obligations set forth in such Section 3(b) as if a party to this Stock Pledge Agreement.

Section 10. Miscellaneous. SKC and its assigns shall have no obligation in respect of the Pledged Securities, except to hold, dispose of and release the same in accordance with the terms of this Stock Pledge Agreement. Neither this Stock Pledge Agreement nor any provision hereof may be amended, modified, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the amendment, modification, waiver, discharge or termination is sought (including Liberty and the Silver Company in the case of any amendment, modification, waiver of other change in the terms of Section 3(b) hereof). The provisions of this Stock Pledge Agreement shall be binding upon the successors and assigns of the Pledgor. The captions in this Stock Pledge Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Stock Pledge Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. This Stock Pledge Agreement may be executed simultaneously in counterparts, each of which is an original, but all of which together shall constitute one instrument.

Section 11. Regulatory Approvals. Notwithstanding anything to the contrary contained herein, if any action to be taken hereunder requires the prior approval of the Federal Communications Commission, the action shall not be taken until such time as the required approval is obtained, and the Pledgor and SKC will cooperate to obtain any such required approval.

Section 12. Severability. In case any provision of this Stock Pledge Agreement is invalid, illegal or unenforceable in any jurisdiction, (i) such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, (ii) the invalidity, illegality or unenforceability of such provision shall in no way affect or impair any other provision of this Stock Pledge Agreement, each of which will continue to be valid and enforceable, and (iii) the parties hereto shall use their best efforts to negotiate a replacement provision, which provision shall, to the extent permitted by law, have the same effect as any severed term.

Section 13. Third Party Beneficiaries. It is the intention and agreement of the parties hereto that each of Silver Company and Liberty is a beneficiary of the provisions of Section 3(b) hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Stock Pledge Agreement to be executed and delivered as of the date first written above.

PLEDGOR:

/s/ Barry Diller

Barry Diller

PLEDGEE:

SKC Investments, Inc.

By /s/ Steven H. Grant

Name: Steven H. Grant
Title: Secretary/Treasurer

NON-RECOURSE SECURED PROMISSORY NOTE

\$4,997,779.25

August 24, 1995

FOR VALUE RECEIVED, the undersigned, Barry Diller (the "Investor"), hereby promises to pay to SKC Investments, Inc., a Delaware corporation ("SKC"), or to the legal holder of this Note at the time of payment, the principal sum of Four Million Nine Hundred Ninety-Seven Thousand Seven Hundred Seventy-Nine and 25/100 Dollars (\$4,997,779.25) in lawful money of the United States of America. All principal of this Note will be due and payable on September 5, 1997.

This Note evidences a loan made by SKC to the Investor to facilitate the purchase by the Investor of shares of Common Stock, par value \$.01 per share, of Silver King Communications, Inc., a Delaware corporation (the "Company") (the "Restricted Shares") in accordance with the terms of the Equity Compensation Agreement, dated as of August 24, 1995, by and between the Company and the Investor (the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement. Payment of the principal of, and all fees, expenses and other amounts owing in respect of this Note is secured pursuant to the terms of a certain Stock Pledge Agreement, dated as of August 24, 1995, by and between the Investor and the Company (as such agreement may be amended from time to time, the "Stock Pledge Agreement"), reference to which is made for a description of the collateral provided thereby and the rights of SKC and the holder of this Note in respect of such collateral.

This Note is subject to the following further terms and conditions:

Section 1. Payment and Prepayment. All payments and prepayments of principal of, and all fees, expenses and other amounts owing in respect of, this Note shall be made to SKC or its order, or to the legal holder of this Note or such holder's order, in lawful money of the United States of America at the principal offices of SKC (or at such other place as the holder hereof shall notify the Investor in writing). The Investor may, at its option, prepay this Note in whole or in part at any time or from time to time without penalty or premium. Upon final payment of principal of, and all fees, expenses and other amounts owing in respect of, this Note it shall be surrendered for cancellation.

Section 2. Events of Default. Upon the occurrence of any of the following events ("Events of Default"):

- (a) failure to pay any principal of this Note, when due;
- (b) termination of Investor's employment by the Company for Cause (as such term is defined in the Agreement);
- (c) voluntary termination of Investor's employment with the Company prior to the Control Date without Good Reason (as such terms are defined in the Agreement); or
- (d) Institution by or against Investor of any bankruptcy case or other proceeding under any bankruptcy or insolvency law;

then, and in any such event, the holder of this Note may declare, by notice of default given to the Investor, the entire principal amount of this Note to be forthwith due and payable, whereupon the entire principal amount of this Note outstanding shall become due and payable without presentment, demand, protest, notice of dishonor and all other demands and notices of any kind, all of which are hereby expressly waived.

No delay or failure by the holder of this Note in the exercise of any right or remedy shall constitute a waiver thereof, and no single or partial exercise by the holder hereof of any right or remedy shall preclude any other or future exercise thereof or the exercise of any other right or remedy.

Section 3. No Recourse. Except for recourse against the Collateral (as such term is defined in the Stock Pledge Agreement) as provided in the Stock Pledge Agreement, no recourse for the payment of the principal of this Note or for any claim based hereon (including costs of collection) shall be had against the Investor, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Section 4. Miscellaneous.

- (a) The provisions of this Note shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof.

(b) All notices and other communications hereunder shall be in writing and will be deemed to have been duly given if delivered or mailed in accordance with the Agreement.

(c) Investor agrees that, subject to the limitations in Section 3 above, Investor will pay SKC the amount of any and all costs and expenses, including all reasonable fees and expenses of counsel, incurred in connection with the exercise or enforcement of any of SKC's rights under this Note or the Stock Pledge Agreement and the failure of Investor to perform or observe any of the provisions of this Note or the Stock Pledge Agreement. Any such amounts as provided under this paragraph (c), will be added to the obligations of Investor under this Note.

(d) The headings contained in this Note are for reference purposes only and shall not affect in any way the meaning or interpretation of the provisions hereof.

(e) This Note shall not be assignable without the prior written consent of Investor.

IN WITNESS WHEREOF, this Note has been duly executed and delivered by the Investor as of the date first written above.

/s/ Barry Diller

Barry Diller

Witness:

/s/ Carlyne Snow

Carlyne Snow

AMENDMENT NO. 1 TO THE
AGREEMENT AND PLAN OF MERGER

AMENDMENT NO. 1 TO THE AGREEMENT AND PLAN OF MERGER, dated as of May 8, 1996 (this "Amendment No.1"), by and among Silver King Communications, Inc., a Delaware Corporation ("Parent"), Thames Acquisition Corp., a Delaware Corporation ("Sub"), and Savoy Pictures Entertainment, Inc., a Delaware corporation (the "Company").

WHEREAS, Parent, Sub and the Company have entered into an Agreement and Plan of Merger, dated as of November 27, 1995 (the "Merger Agreement"); and

WHEREAS, Parent, Sub and the Company desire to amend and modify the Merger Agreement as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Parent, Sub and the Company hereby agree that the Merger Agreement shall be, and hereby is, amended and modified as follows:

1. Paragraph (b) of Section 7.1 of the Merger Agreement is hereby amended and replaced in its entirety to read as follows:

"(b) by either Parent or the Company if the Merger shall not have been consummated by July 30, 1996 (provided) that, if the Merger shall not have been consummated due to the failure to obtain the FCC Approvals and such approvals are, in the reasonable opinion of FCC counsel to Parent or FCC counsel to the Company, likely to be received or made final on or prior to October 30, 1996, then such date shall be extended to October 30, 1996, and provided, further, that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose action or failure to act has been the cause of or resulted in the failure of the Merger to occur on or before such date and such action or failure to act constitutes a breach of this Agreement);"

2. Except as amended and modified by this Amendment No.1, all other terms of the Merger Agreement shall remain unchanged.

3. This Amendment No. 1 shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein, without

giving effect to the laws that might otherwise govern under applicable principles of conflicts of laws.

4. This Amendment No. 1 may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of Parent, Sub and the Company has caused this Amendment No. 1 to be executed on its behalf, all as of the day and year first above written.

SILVER KING COMMUNICATIONS, INC.

By: /s/ Steven H. Grant

Name: Steven H. Grant
Title: Executive Vice President

THAMES ACQUISITION CORP.

By: /s/ Steven H. Grant

Name: Steven H. Grant
Title: President

SAVOY PICTURES ENTERTAINMENT, INC.

By: /s/ Lewis J. Korman

Name: Lewis J. Korman
Title: President

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