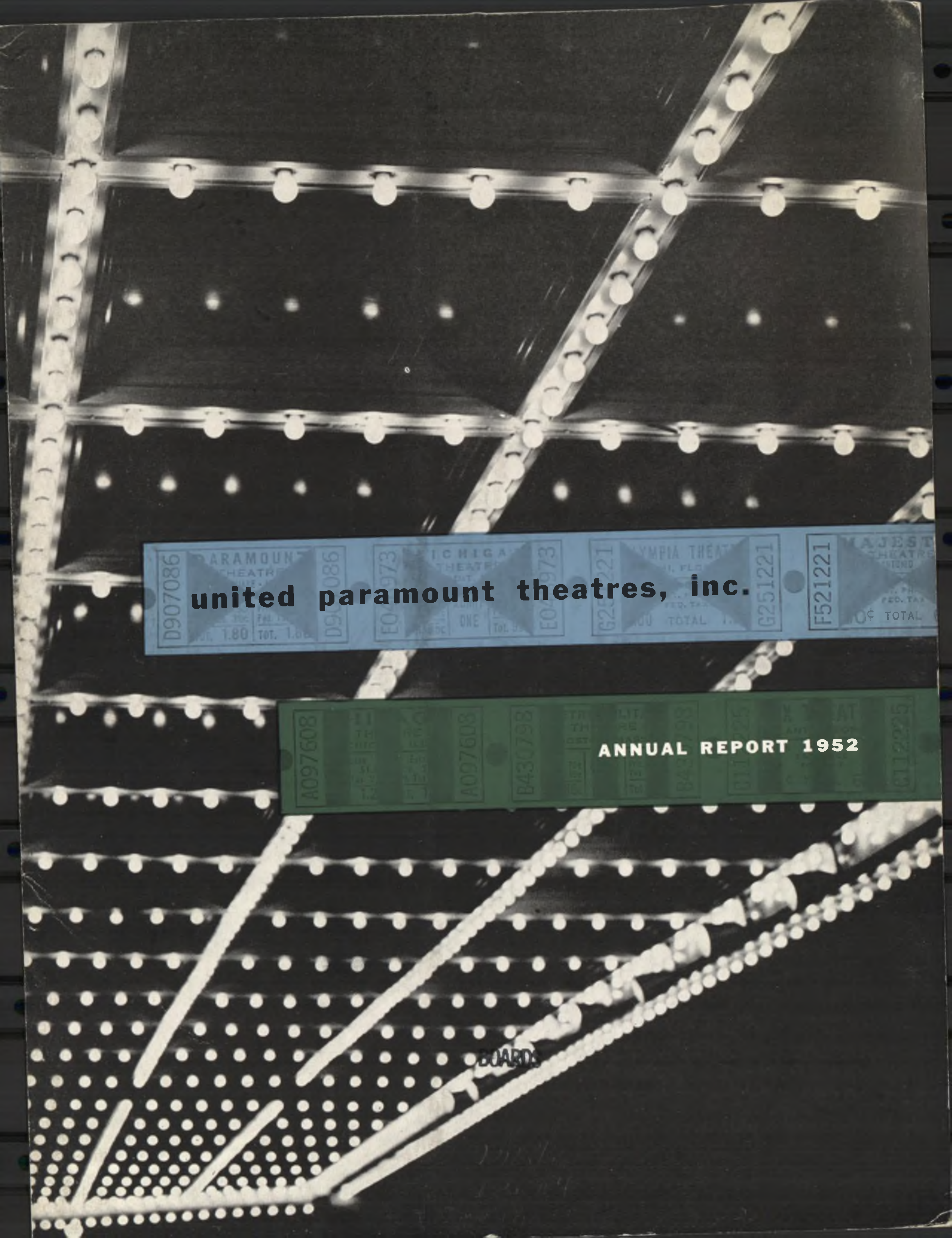

united paramount theatres, inc.

ANNUAL REPORT 1952

UNITED PARAMOUNT THEATRES, INC.

united paramount theatres, inc.

ANNUAL REPORT 1952

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Price Waterhouse & Co., *Independent Auditors*

The Bank of New York, *Transfer Agent*

Bankers Trust Company, *Registrar*

EXECUTIVE OFFICES

1501 Broadway, New York 36, N. Y.

CONTENTS

THE YEAR IN BRIEF

	1952		1951	
INCOME				
Total, including:		$121,570,000		$121,080,000
Theatre receipts and rentals	$115,627,000		$115,747,000	
Dividends from affiliated companies	280,000		555,000	
Other income	5,663,000		4,778,000	
EXPENSES				
Total, including:		$115,956,000		$114,378,000
Theatre operating and general expenses	$99,624,000		$97,214,000	
Depreciation	5,658,000		5,474,000	
State, local and payroll taxes	4,794,000		4,925,000	
Federal income tax	5,880,000		6,765,000	
NET PROFIT				
From operations		$ 5,614,000		$ 6,703,000
per share		$1.70		$2.03
From capital gains		$ 1,347,000		$ 4,002,000
per share		$ .41		$1.21
DIVIDENDS PAID				
Total		$ 4,127,000		$ 6,538,000
per share		$1.25		$2.00
Number of shares outstanding		3,300,822		3,300,859
FINANCIAL POSITION				
Working capital		$ 27,034,000		$ 24,551,000
per share		$8.19		$7.44
Fixed assets (net)		$ 68,630,000		$ 70,565,000
Long term debt		$ 40,016,000		$ 41,879,000
Net worth		$ 61,255,000		$ 58,246,000
per share		$18.56		$17.65
NUMBER OF THEATRES				
Wholly owned		651		683
Partly owned		43		169
Owned jointly with investors		14		15

introductory

This is the third annual report issued by United Paramount Theatres, Inc. It tells the story of our theatre business in 1952. The report is concerned mainly with United Paramount, since the merger with American Broadcasting Company, Inc. was not consummated until February 9, 1953. Future reports will deal with all the operations of the merged company, American Broadcasting-Paramount Theatres, Inc.

The financial results of the year's operations are summarized in the table on the opposite page, "The Year in Brief," and are set forth in some detail in the body of the report together with a discussion of the developments which influenced our theatre business in 1952 and those which are expected to affect the course of future theatre operations.

Among these various developments, one—three dimensional movies—may, in the opinion of many seasoned observers, revitalize the industry much as did the advent of the "talkies" back in the late 'twenties.

We are nearing the close of our theatre divestiture program in conformance with the Consent Judgment which was entered into on March 3, 1949. During the year, we disposed of our interests in 159 theatres, leaving us with a whole or partial interest in 708 theatres at the year's end. We hope to complete the divestiture program this year.

There is included in the text a section dealing with the merger. It contains information designed to assist stockholders in understanding the nature of the operations of the merged company. A separate report covering the operations of American Broadcasting Company, Inc. in 1952 is enclosed.

SECTION 1

operating and financial review

NET PROFIT

Table 1 below contains a summary of earnings for the year together with figures for 1951 for comparative purposes. The decline in operating earnings was evident over the first three quarters, but was reversed by an upward trend in the fourth quarter of the year. Indeed, for the first time in our three years of operations, profits in a current quarter exceeded those for the same quarter of the previous year. The drop in capital gains realized largely on the sale of theatre properties and interests reflects the fact that we are nearing the end of our theatre divestiture program.

TABLE 1
Net Earnings After Taxes

	1952	*Per Share*	*1951*	*Per Share*
From Operations	$5,613,626	$1.70	$ 6,702,421	$2.03
From Capital Gains	1,347,487	.41	4,002,590	1.21
Total	$6,961,113	$2.11	$10,705,011	$3.24

The earnings of partly owned, non-consolidated affiliates have been reported as income only to the extent of dividends received. Our pro-rata share of the undistributed earnings of such companies is not shown since substantially all of our joint theatre interests have been terminated and it is hoped that the remaining few will be terminated in 1953.

THEATRE RECEIPTS AND OPERATING COSTS

Consolidated theatre receipts and rentals for 1952 were $115,627,000 compared with $115,747,000 in 1951. Nevertheless, our net earnings from operations declined as shown in Table 1, due mostly to higher film rentals. That theatre admissions in 1952 were practically the same as in the previous year is due largely to the greater number of pre-release films shown at advanced admission prices in 1952. However, while these advanced admission price pictures tended to bolster our gross receipts, they resulted in a smaller percentage of profit for the theatres because of the exceedingly high film rentals charged for them by the film distributors. There were five pre-release films in 1952, all among the top grossing pictures of the year. In 1951 there were only two pre-release pictures.

The higher film rentals paid for pre-release films generally reflect the increased rentals paid for all categories of feature films. There has been a drop in the number of feature films released by motion picture distributors. The resulting diminished supply has intensified competition among theatres for pictures, with the consequence that film rentals have risen substantially all along the line. These and related factors are discussed further in the section INDUSTRY TRENDS.

Despite the inflationary pressures on wages and salaries, these costs rose less than 2% compared with the 1951 figures because of control and streamlining measures which we instituted during the year. Other operating costs were held in line during 1952.

TAXES

The Corporation and its subsidiaries provided for payment of Federal Income Taxes for the year 1952 in the total amount of \$6,413,000 of which \$5,880,000 was on operating earnings and \$533,000 on capital gains resulting largely from the sales of theatre interests and properties. The rate of tax applicable to consolidated earnings, other than capital gains, was 54% compared with 52¾% in 1951.

The Corporation and its subsidiaries also paid or provided for the payment of real estate, personal property, State franchise and income taxes, payroll and miscellaneous taxes in the amount of \$4,794,000. Table 2 below sets forth these various taxes in detail together with comparable figures for 1951.

TABLE 2

Taxes

	1952	*1951*
Federal Income		
Operations	\$ 5,879,789	\$ 6,764,890
Capital gains	532,879	1,266,694
Real estate, personal property and State franchise	3,265,755	3,386,780
State Income	204,921	242,511
Payroll Taxes	657,096	645,655
Sales, gross receipts, etc.	665,948	649,397
Total	\$11,206,388	\$12,955,927

Table 2 does not show admission taxes which are collected from the theatre patron. In 1952 we collected for and paid over to governmental taxing authorities approximately \$21,505,000 in admission taxes.

In these days of international tension, no citizen, private or corporate, can object to bearing his fair share of the tax burden. Needless to say, the taxes described in Table 2 are burdensome and do reduce profits, but they are the same

taxes that are borne by others. The motion picture business has, however, been subjected to the additional strain of Federal, State and local taxes on admissions. On each dollar of theatre admissions, the public pays a 20% Federal excise tax. It also pays state or municipal admission or applicable sales taxes ranging up to 10% in twenty-six states and in numerous cities. Together, these admission taxes place an onerous burden upon our industry at the time when it is most difficult to sustain.

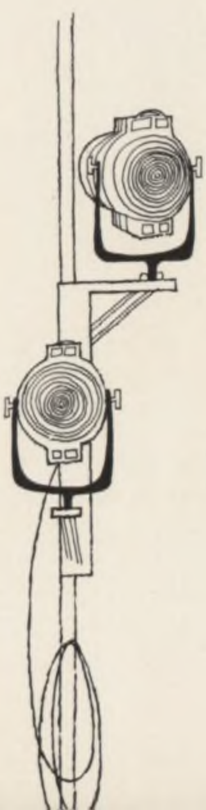
We believe that the time has come for the removal of this unfair tax burden. Legislation designed to provide such relief has been introduced in the present session of Congress and we urge our stockholders to give it their full support.

DIVIDENDS

Dividends paid during the year amounted to $4,126,747 as compared with dividends of $6,537,555 in 1951. This reflects the reduced dividend rate voted by the Board of Directors in the second quarter of 1952. Commencing with that quarter dividends were paid at the rate of 25¢ per share. Prior to that the quarterly dividend was 50¢ per share.

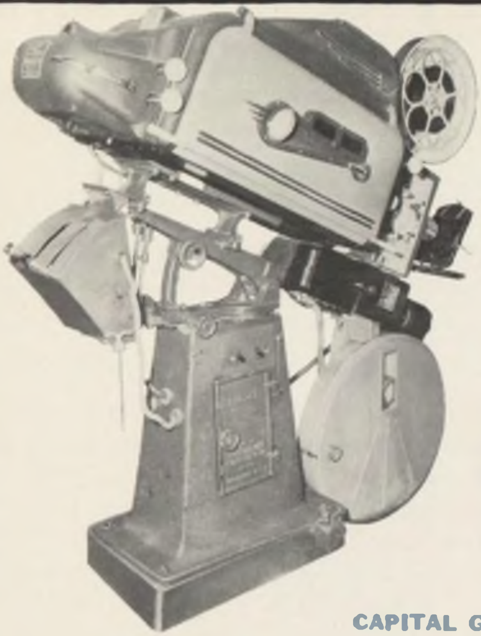
The decision to reduce the dividend was reached only after consideration of many factors. It was impelled mainly by the decline in our operating earnings and the need to conserve cash to meet the requirements of the Company upon consummation of the merger with American Broadcasting Company, Inc.

In this connection, the provisions of our Loan Agreement are pertinent. By its terms, dividends may be paid only from earned surplus arising from operations since the start of business on January 1, 1950. Earnings from capital gains are excluded for dividend purposes under this agreement.



Thus earned surplus at the year end of $5,126,286, plus future operating earnings, must accommodate not only dividend payments on the common stock but also must serve as a source for payment of dividends on the preferred stock issued in the merger and for redemption of such preferred which, by the sinking fund requirements in the Charter, must be retired at the rate of 24,322 shares annually. Without regard to dividends on the 3,967,539 shares of common stock now outstanding after effectuation of the merger, the requirements of the preferred stock call for a maximum annual charge of $1,118,808 against earned surplus available for dividends, subject to reduction to the extent that preferred shares are acquired for sinking fund purposes at less than the sinking fund redemption price and as dividend requirements are reduced through retirements.

On February 11, 1953, the Board authorized the purchase in the open market of preferred stock to the extent of the first year's sinking fund requirements when the price appeared to make the acquisition advisable. Following our



letter of February 17, 1953 advising preferred stockholders, the Company has purchased through March 11th, 24,322 shares of preferred stock at an average price of $16.01 per share. On March 11th the Board authorized the purchase of additional preferred stock as such purchases appear to be advantageous to the Company.

CAPITAL GAINS

The Company realized substantial capital gains over the year, principally from theatre dispositions. Table 3 reflects a three-year summary of the numerous transactions involved, showing the net gain after tax and the form of the proceeds received by the Company.

TABLE 3

Capital Gains

	1952	*1951*	*1950*
Sales proceeds	$3,863,000	$7,532,000	$5,442,000
Less: expenses of sales	18,000	20,000	33,000
Net sales proceeds	$3,845,000	$7,512,000	$5,409,000
Capital gains	$2,080,000	$5,268,000	$2,802,000
Less: Applicable Federal tax	533,000	1,266,000	658,000
Reserve for losses on collections	200,000	—	—
Capital gains, net	$1,347,000	$4,002,000	$2,144,000

Proceeds of Sales

	1952	*1951*	*1950*
Cash (less expenses of sales)	$2,194,000	$3,742,000	$3,613,000
Notes	1,105,000	1,625,000	1,516,000
Equity in properties acquired	506,000	1,700,000	280,000
Stocks in affiliated companies	—	445,000	—
Other assets	40,000	—	—
Total proceeds	$3,845,000	$7,512,000	$5,409,000

The unpaid balance of notes received in these transactions is reflected in the balance sheet, after reserve of $200,000 provided in 1952, at $2,670,000 which represents approximately 19% of the aggregate proceeds received in cash and notes, and 16% of the total proceeds.

The status of our theatre reorganization program is described in the section THEATRE REARRANGEMENTS. The program has resulted in a net cash outlay for the three years of $8,340,000. As we approach the end of the divestiture program, and with the sale of the Balaban & Katz television station in Chicago as described later in the section on the merger, our cash position in the future will be shaped primarily by operating results.

WORKING CAPITAL

The Company's current position continued to be strong over the year. Current assets of $36,328,000, at the year end include $32,554,000 in cash and government securities, and reflect an increase of $2,113,000 over the previous year. Current liabilities decreased from $9,664,000 to $9,294,000, a decrease of $370,000. The net working capital of $27,034,000 shows an increase of $2,483,000 over 1951.

TABLE 4

Source and Application of Funds

Source of Funds:	
Net income from operations	$ 5,614,000
Provision for depreciation and amortization	5,658,000
Cash proceeds of capital gains transactions, less provision for Federal capital gains tax	1,661,000
Payments of notes receivable	841,000
Other—net	322,000
Total	$14,096,000
Application of Funds:	
Dividends paid	$ 4,127,000
Fixed asset, additions and replacements	4,181,000
Payments and prepayments of funded debt	2,108,000
Other—net	1,197,000
Total	$11,613,000
Increase in working capital (including $2,198,000 increase in cash and United States Government securities)	$ 2,483,000

FIXED ASSETS AND INVESTMENTS

Consolidated fixed assets, after reserves for depreciation and amortization, amounted to $68,630,000 as compared with $70,565,000 in 1951. The changes in our property accounts are shown in Table 5.

In the past three years, the amount charged for depreciation annually has been reinvested in properties and theatres, particularly those which became wholly owned as a result of the termination of joint interests. Now that theatres of the operating subsidiaries are generally in good shape, it should be somewhat less expensive to maintain them so. We recognize, however, that three-dimensional movies, which are discussed later in this report, may eventually require substantial capital outlays for equipment as the medium develops.

TABLE 5

Changes in Fixed Assets

	1952	*1951*
Fixed assets acquired upon termination of joint interests and included in consolidation for first time	$ 841,000	$3,754,000
Other additions	4,131,000	4,382,000
Other properties acquired in fee	50,000	1,117,000
Less: Sales of properties	1,299,000	1,626,000
Net increase in fixed assets before depreciation	$3,723,000	$7,627,000
Less: Depreciation	5,658,000	5,474,000
Net increase (decrease) in fixed assets	($1,935,000)	$2,153,000

Investments in capital stocks of affiliated companies have decreased from $1,869,000 to $1,241,000 with the termination of certain joint interests described in the Section THEATRE REARRANGEMENTS.

LONG TERM DEBT

The Company's term debt, shown in Table 6, is comprised primarily of notes issued under our Loan Agreement with Metropolitan Life Insurance Company and a group of three banks. The bank notes, originally amounting to $8,750,000, are 2½% notes due $875,000 semi-annually to and including January 1, 1956. The $36,250,000 of 3½% notes issued to Metropolitan Life Insurance Company, including a $10,000,000 standby which was drawn down on April 19, 1951, are payable in semi-annual installments of $1,208,000 each beginning July 1, 1956 and continuing to and including January 1, 1971. The Company has continued to stay one year ahead of the bank maturities. The item "Other Debt" consists mainly of mortgages of subsidiary companies.

TABLE 6

Long Term Debt

	Jan. 3, 1953	*Dec. 29, 1951*
Under Loan Agreement		
2½% notes	$ 3,500,000	$ 5,250,000
3½% notes	36,250,000	36,250,000
Other Debt (including current portion)	302,780	502,313
Total	$40,052,780	$42,002,313

NET WORTH AND BOOK VALUE OF COMMON STOCK

The book value of the common stock increased from $58,246,000 or $17.65 per share at December 29, 1951 to $61,255,000 or $18.56 per share. The net increase of $3,009,000 consists of $2,834,000 of consolidated earnings in excess of dividends paid, $99,000 representing the excess of net assets of subsidiaries consolidated for the first time over the stock investments on the books of United Paramount Theatres, Inc. and subsidiaries, and $76,000 in adjustments of initial values of investments in subsidiary companies acquired at organization.

SECTION 2

theatre rearrangements

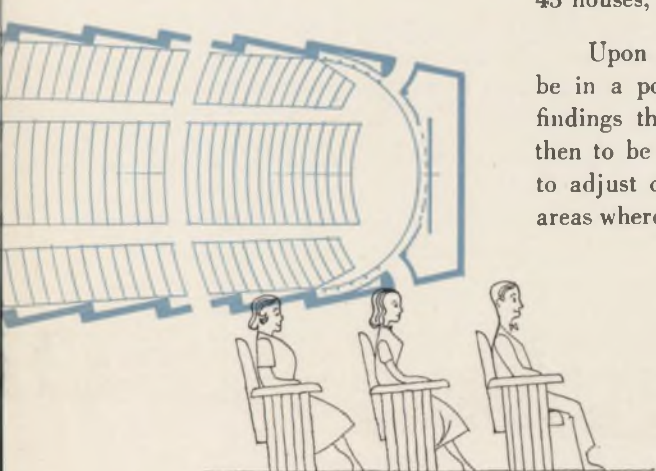
Under the terms of the Consent Judgment entered into on March 3, 1949, United Paramount was required to reorganize its theatre assets by terminating all of its theatre joint ownerships (other than with investors) and reducing the number of wholly owned theatres or theatres owned jointly with investors to a maximum of 651. The deadline for completion of this program, except in the case of certain theatres in Texas, is September 3, 1953. The Texas divestitures must be accomplished by March 1, 1954.

Table 7 shows the changes and reductions effected in our theatre holdings in the past three years. As will be seen, we made excellent progress in our divestiture program during 1952. We divested ourselves of 43 wholly owned theatres and terminated joint interests with partners in 126 theatres, retaining a 100% interest in 11. Thus, there was a net decrease of 32 in wholly owned theatres. One other theatre owned jointly with investor interests was also divested. At the year end, therefore, we had a whole or partial interest in 708 theatres.

The principal joint interests terminated were in Western Massachusetts Theatres, Inc., Albuquerque Exhibitors, Inc., and Jefferson Amusement Company. In termination of these joint interests, we retained a 100% interest in 5 of the 102 theatres involved.

To complete the theatre reorganization, we still had, at the year end, to divest ourselves of 43 wholly owned theatres and terminate our joint interest in another 43 houses, of which five may be retained as wholly owned theatres.

Upon final termination of the remaining joint interests, the Company will be in a position to acquire new theatres, always subject, of course, to Court findings that such acquisitions will not unduly restrain competition. We hope then to be in a position, for the first time since the inception of the Company, to adjust our theatre holdings to meet changing conditions, especially in those areas where population trends and economic growth make for profitable operations.



SECTION 3

industry trends

TABLE 7

Theatre Divestiture Program

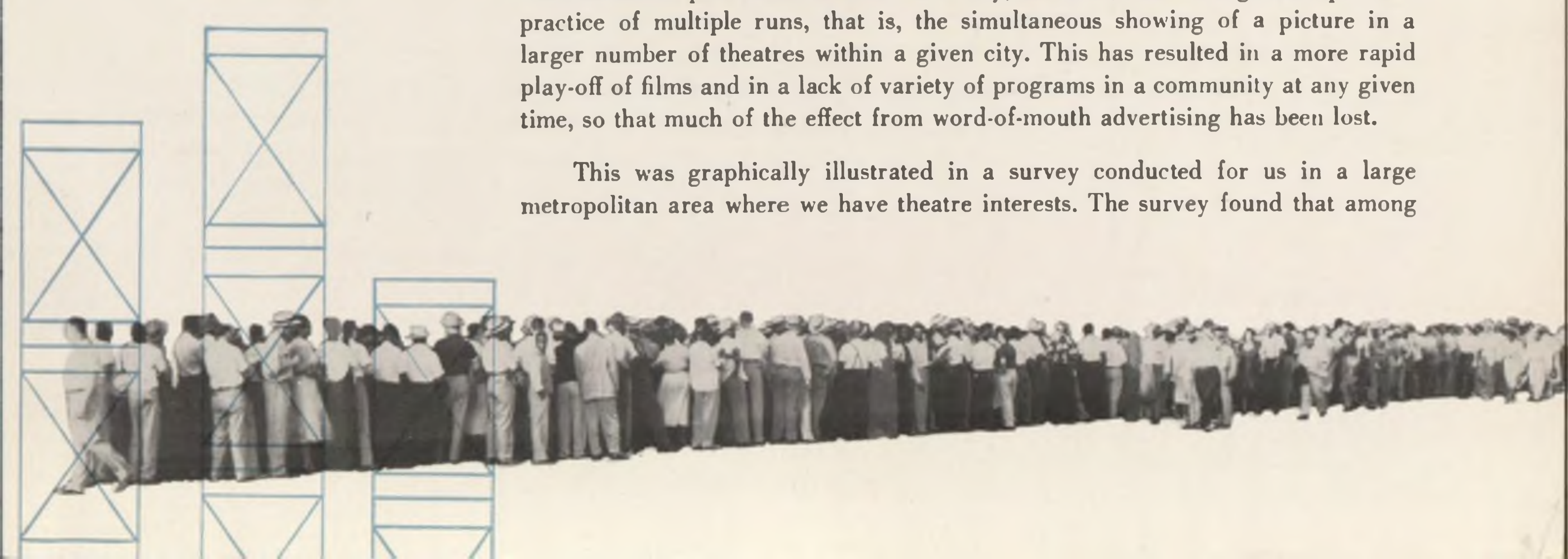
	Wholly Owned	*Partly Owned*	*Owned Jointly with Investors*	*Total*
March 3, 1949	449	955	20	1,424
January 1, 1950	558	716	24	1,298
January 1, 1951	708	284	27	1,019
January 1, 1952	683	169	15	867
January 1, 1953	651	43	14	708

Our business, as we reported last year, is generally off more in television areas than in non-television areas. As television spreads into new markets with the lifting of the ban on the constructions of new stations, attendance in those areas may well be adversely affected. However, approximately 65% of our theatres are now in TV areas and have felt the initial impact of TV in its novelty stage. Moreover, the rebound of attendance in television-saturated areas, which we anticipated in our report to you of 1951, has begun to make itself felt in certain larger cities, such as Chicago and Detroit where we have substantial theatre interests.

The motion picture industry is still struggling through a transitional period. Not only the introduction and growth of television, but perhaps more important, the far-reaching economic and social changes of the post-war years have radically changed the entertainment habits and leisure-time patterns of the American people. At the same time, there have been changes in long-standing distribution and exhibition practices within the industry as a result of the Government's anti-trust litigation.

Formerly runs and clearances were calculated to derive full benefit from word-of-mouth promotion of films. Recently, however, there has grown up a new practice of multiple runs, that is, the simultaneous showing of a picture in a larger number of theatres within a given city. This has resulted in a more rapid play-off of films and in a lack of variety of programs in a community at any given time, so that much of the effect from word-of-mouth advertising has been lost.

This was graphically illustrated in a survey conducted for us in a large metropolitan area where we have theatre interests. The survey found that among



the potential audience for QUO VADIS, as many as 200,000 people were still waiting for the attraction to play in suburban theatres although it had already played and gone. We believe that this situation is generally typical of the effect of multiple runs everywhere. Even if the public could be educated to the fact that they must see a particular picture quickly or they cannot see it at all, many people who want to see it will find it inconvenient to do so in the limited period of time of its exhibition. Sooner or later the industry will realize that improved revenues for both exhibitors and producers will result when a better method of release of pictures, based upon proper and lawful runs and clearances, is substituted for the present practice of multiple runs.

As we reported last year, tne "B" movie and the marginal theatre have been among the major casualties of this transitional period. Motion picture producers, in an effort to adapt to changing conditions, have tended to confine their efforts to making fewer but better pictures, with a greater proportion — perhaps up to 50% in 1953 — in color. The improvement in quality has been constant over the past few years and all signs point to its continuance. The industry seems to be evolving toward a situation where fewer theatres will exhibit better pictures. Numerically, the industry may be less impressive; economically, it will be more sound and the individual units should prosper.

As noted above, our business firmed appreciably in the fourth quarter of 1952. One reason for this generally good level of business has been the high quality of film product. Another significant factor has been the advent of three-dimensional movies.

THREE-DIMENSIONAL MOVIES

The motion picture of today has come a long way from the "flickers" first shown to the public around the turn of the century. From the silents to talkies, from minute-long documentaries to the feature-length narrative movie, from converted stores and arcades to the luxurious, comfortable, air-conditioned house of today, from monochrome to color — these are some of the major advances made by the industry in its constant striving to entertain and please the public.

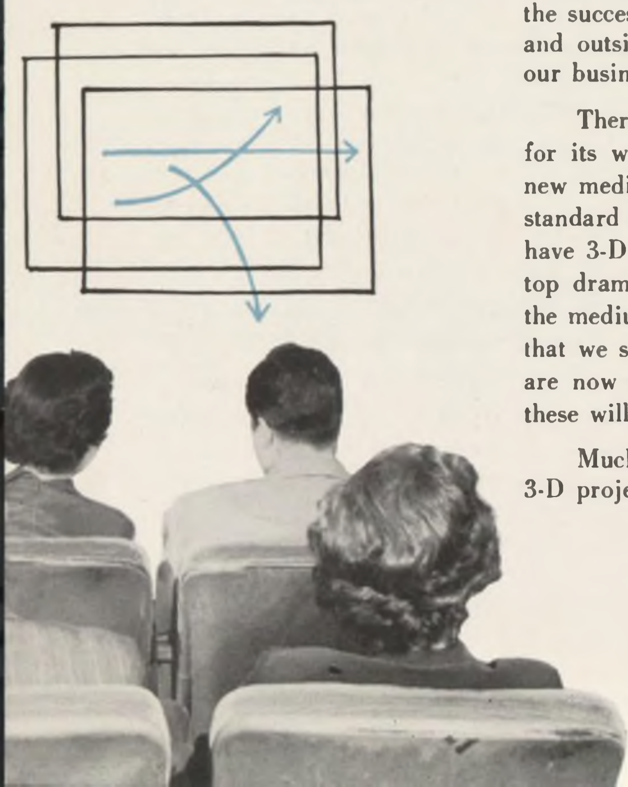
We are now embarking upon another revolutionary development. This is the three-dimensional motion picture, in which the visual illusion of actors in the round is combined with stereophonic sound and realistic color to make the movie audience part of the action on the screen.

Although three-dimensional projection — familiarly known as "3-D" — has a long engineering history, it became a commercial reality only in the past year. The subject had been investigated from almost the beginnings of still photography, and stereoscopic movies were being shown to the public in the late 1930's. However, stereoscopic projection was only an occasional novelty item, so far as theatres were concerned, until the sudden advent of 3-D in 1952.

Two forms of 3-D movies were introduced to the public in 1952 and several further variations have since been introduced in 1953. In New York, CINERAMA made its debut at the Broadway Theatre in September. While not truly 3-dimensional, CINERAMA, utilizing the principle of peripheral vision, produced a startling effect of realism and depth through the device of a greatly enlarged curved screen approximating the range of vision of the human eye. The film is projected from three separate but synchronized projectors. Loud speakers from several sources project the sound in such a way as to follow the moving images on the screen and to give the sense of depth and direction to which the human ear is accustomed in nature. Despite the fact that this first showing of CINERAMA consisted only of shorts and travelogues, it won immediate public and critical acclaim. CINERAMA has played to sell-out audiences at each performance since its opening and as this report is issued, tickets are being purchased for performances many months hence.

The success of CINERAMA was repeated, on a much wider scale, by the feature length film BWANA DEVIL, produced by Arch Oboler, an independent Hollywood producer. This film uses a stereoscopic system similar to the one shown to the public at the New York World's Fair in 1939, in which special glasses are worn to obtain the impression of depth. Early in the summer of 1952, while the picture was still in shooting, an arrangement was made with the producer to premiere it that Fall at our Paramount Theatre in Los Angeles. This was done with full recognition of the skepticism in certain segments of our industry, and even within our own ranks, regarding the public's reaction to wearing special glasses. The movie opened on Thanksgiving Day. The public's response was electrifying. In its extended engagement in Los Angeles, and subsequently in its extended showings in other of our key cities, BWANA DEVIL has produced grosses equal to receipts of the top post-war film attractions.

All branches of the motion picture industry have been greatly heartened by the success of these 3-D films. Indeed, many experienced observers, both within and outside of our industry, feel that this exciting new medium can stimulate our business enormously, as did the advent of sound in the late 'twenties.



There is no doubt that the novelty aspect of 3-D accounts in large measure for its wide popularity to date. This situation will not last very long. If this new medium is to survive beyond the novelty stage it must offer the same high standard of entertainment at present associated with our best film fare. We must have 3-D feature films in which directors, writers and composers combine with top dramatic talent to take full advantage of the new creative possibilities of the medium to tell a story more effectively than ever before. The best assurance that we shall have such films is the fact that all the leading Hollywood studios are now planning or are already engaged in producing 3-D movies. Some of these will be ready for release in the Spring and early Summer of 1953.

Much remains to be done to perfect and standardize the various systems of 3-D projection. The Cinerama process must be simplified and made cheaper if it is to be generally applicable. We are waiting with great interest the showing of CINEMASCOPE, a broad screen peripheral vision process which has been adopted by 20th Century Fox and MGM for some of their major 1953 productions. The other forms of stereo projection, all based on the use of polarized glasses, call for further technical refinement. It may be that further research and development will eventually provide a 3-D system which does not require the use of glasses.

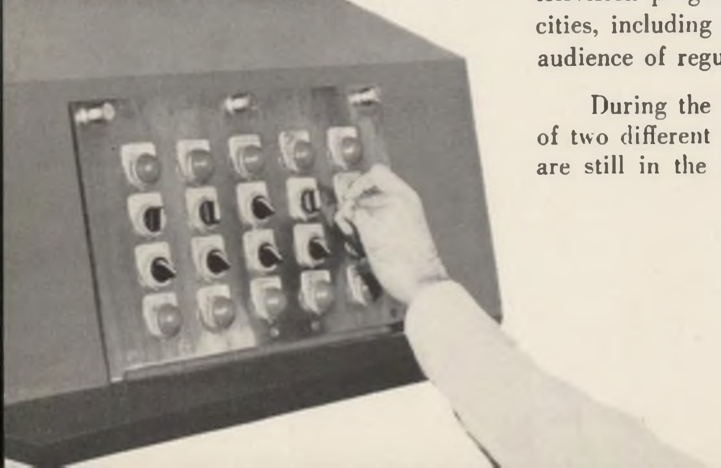
As in the case of other major technological advances, we feel sure that engineering ingenuity will soon bring these new techniques to full fruition. The American public has always supported this industry and other industries, during periods of rapid technological change and new discoveries. We believe that the public, in its great desire for new and better entertainment, will patronize 3-D movies while technical improvements are being made and creative people are learning how to use this new dimension to its best advantage. Then 3-D movies will provide the public everywhere with a new medium of entertainment that will have the same stimulating effect on local box-offices it has had in selected cities thus far.

THEATRE TELEVISION

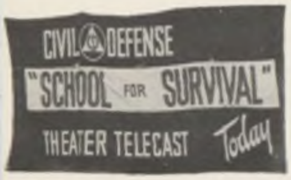
1952 brought several developments in the field of closed circuit theatre television.

The telecasts of the Robinson-Maxim and Marciano-Walcott championship fights played to sell-out audiences at a number of our theatres. A new phase of programming was opened with the telecast of the opera "Carmen" on December 11th directly from the stage of the Metropolitan Opera House in New York to theatres across the country. Although attendance in our five theatres which carried the event was spotty, the show was well received by theatre audiences and was received with great interest by the press all over the country.

There was further experimentation in the use of theatre television as a means for selective communication. In December, two of our theatres in Dallas and Atlanta and a number of other theatres carried the first commercial closed circuit theatre television sales meeting conducted by James Lees and Sons, carpet manufacturers, to introduce to the trade their new season's lines. We believe that there should develop a wider use of the medium by large business concerns desiring to reach a selected audience. Earlier in the year, on June 26th, the Federal Civil Defense Administration conducted its third and broadest theatre television program with a closed circuit hookup of 10 eastern and midwestern cities, including 4 of our theatres, for a special training message to an invited audience of regular and civil defense police workers.



During the year there were demonstrations by RCA and 20th Century Fox of two different projection systems for color television in theatres. Both systems are still in the developmental stage, but the results were highly encouraging.



Experience this past year has emphasized the need for better transmission facilities if the industry is to offer the public a television image comparable in quality to our 35mm pictures. Hearings on the industry's request for special, wide channels for theatre television commenced before the Federal Communications Commission in December, but were suspended in February of this year pending further clarification of the issues.

MICROWAVE ASSOCIATES, INC.

Operations of Microwave Associates, Inc., a small electronics manufacturing company in which we have a 50% interest, showed a slight loss in 1952, its second full year of operations, as it expanded its staff and facilities and geared production to meet contract requirements. The Company further broadened its product lines and services to include the manufacture of silicon crystals. At this writing, Microwave is now producing at a greatly increased rate against a backlog of government and commercial orders amounting to over $900,000.

SECTION 4

stockholders

At the year end there were 26,214 registered holders of United Paramount common stock and certificates of interest. There were 2,085 registered holders of ABC common stock. In addition, there are several thousand owners whose stock is carried in the name of nominees. Among our stockholders are residents of every state in the union, all the territories, Canada and a number of other foreign countries.

VOTING TRUST

At the year end, three years after the creation of the Voting Trust, 330,701 shares, approximately 10% of the outstanding common stock of the Company, remained in the Trust. In January 1953, the Department of Justice agreed to substantial amendments to the Voting Trust provisions which now provide the means for most of the remaining certificates of interest holders to withdraw their securities from the Trust. Since the year end approximately 90,000 shares have been released from the Voting Trust.

We urge the remaining security holders who are eligible, to convert their certificates of interest into common stock as soon as possible. We shall be happy to be of any assistance we can to these holders in effecting their conversions.

SECTION 5

the merger

The merger of the American Broadcasting Company into United Paramount Theatres became effective on February 9, 1953, the date the Federal Communications Commission gave its approval. The merger was effected through an exchange of common stock of ABC for a combination of preferred and common stock of the merged company. In return for their 1,689,017 shares of common, ABC stockholders received 608,047 shares of 5% $20 par preferred and 666,717 shares of common stock of the merged company. The common stock held by stockholders of United Paramount continues unchanged as common stock of the merged company.

With the merger, your Company broadened its scope and began operation in the home broadcasting, motion picture theatre, and allied fields under the new name, American Broadcasting-Paramount Theatres, Inc. American Broadcasting Company now operates as a self-contained division (ABC Division) within AB-PT, with its own staff of officers under Robert E. Kintner as President and operating head. This division, continuing the ABC trade name, operates the owned radio and television stations in New York, Chicago, Detroit, San Francisco and Los Angeles, in addition to the nation-wide ABC Radio Network and the ABC Television Network. Radio Station WSMB, New Orleans, owned and operated by WSMB, Inc., in which we have a 50% interest, will continue to be operated for the immediate future, at least, by its present management.

Theatre operations of the merged company will continue to be conducted on a decentralized basis by subsidiary regional operating companies.

At the same time it approved the merger, the Federal Communications Commission approved the renewal of the licenses of television station WBKB (Channel 4) in Chicago, and radio station WSMB (AM and FM) in New Orleans. The Commission also approved the sale of WBKB by our subsidiary, Balaban & Katz Corporation, to Columbia Broadcasting System, Inc. This sale, which was contingent upon consummation of the merger, was necessitated by Commission regulations prohibiting ownership of more than one station in a given community. Balaban & Katz Corporation received $6,000,000 for the station. The Chicago ABC television station now operating on Channel 7 has assumed the WBKB call letters.

The merged company is starting in sound financial condition. The pro forma balance sheet of the merged company, based on the year-end balance sheets of

TABLE 8

ABC – Owned Radio and TV Stations

New York—
WABC, WABC-FM, WABC-TV

Chicago—
WENR, WENR-FM, WBKB

Detroit—
WXYZ, WXYZ-FM, WXYZ-TV

Los Angeles—
KECA, KECA-FM, KECA-TV

San Francisco—
KGO, KGO-FM, KGO-TV

ABC Radio Network.......362 Affiliates

ABC Television Network... 95 Affiliates

Major Theatre Operating Subsidiaries:

Alabama Theatres, Inc.
Arizona Paramount Corporation
Balaban and Katz Corporation
Florida State Theatres, Inc.
Intermountain Theatres Inc.
Interstate Circuit, Inc.
Minnesota Amusement Company
New England Theatres, Inc.
North Carolina Theatres, Inc.
Northio Theatres Corporation
Paramount Gulf Theatres, Inc.
Paramount Pictures Theatres Corporation
Penn Paramount Corporation
Tenarken Paramount Corporation
Texas Consolidated Theatres, Inc.
Tri-States Theatre Corporation
United Detroit Theatres Corporation

United Paramount and ABC, is shown on page 28. This statement shows the merged company with cash and government securities of $32,573,000, working capital of $27,644,000 and total assets of $141,101,000 including intangibles of $8,757,000. Long term debt amounts to $42,881,000. As is explained in the notes to the statement, these figures give effect to the retirement of $7,662,000 of ABC's term debt on February 13, 1953, as well as to the proceeds from the sale of WBKB for $6,000,000.

The ABC Division will move, around April 1st, into remodeled offices on West 66th Street in New York. As most of the buildings and property are owned by the Company, there will be a material saving over the rental paid by the Company for its present offices in Rockefeller Plaza.

In addition to reducing ABC's debt, other steps have been taken to strengthen ABC operations. The sum of $2,000,000 has been earmarked for the purchase of equipment to increase the transmitting power of the ABC television stations, as permitted by revised FCC allocations. The programming of ABC should be greatly stimulated, both by the addition of new financial resources and by shifts of show-wise personnel to ABC.

ABC has inaugurated a plan for the improvement of its presentations to the public for both radio and television. While this plan will embody basically the development of new talent and new creative personnel and an attempt to deliver to the advertiser reasonably priced programs, it is also the intention of ABC to contract with a limited number of "name" stars, for immediate effect on its programming. The first of these stars to be obtained for exclusive service to ABC is George Jessel, who will serve in the capacity of both producer and performer. New radio and television properties are being developed by the American Broadcasting Company with the objective of obtaining commercial sponsorship for them for the Fall of 1953. In addition, the radio and television program structures of the ten owned stations are being strengthened immediately. Particular effort will be made to use the outstanding producion facilities of ABC in New York and Hollywood which were built by the company over the last four years.

American Broadcasting Company officials have conferred with representative advisory committees from both the ABC radio and the ABC television affiliates and have received assurances of strong support from these affiliates in the improvement of the respective network operations. Other than the need to develop stronger programming, particularly in the entertainment and dramatic field, ABC faces one basic problem in television—the fact that the scarcity of available television outlets in important cities throughout the country continues to exist. While this scarcity will be somewhat reduced over the next few months, the 1953-1954 season will bring a continuance of the so-called "clearance problem" for programs, occasioned by the fact that there will not be sufficient television stations in individual cities to accommodate programs from the four television networks. On the basis of present procedures, it would appear that this situation can continue for several years. In this connection, ABC is affiliating with a number of new stations which have been authorized in the ultra high frequencies, as contrasted to existing stations which operate on the very high frequencies. Providing that television sets are converted to these new frequencies, it is believed that stations in UHF can serve the communities equally with those in VHF.

As ABC's programming improves it should attract new audiences and, of course, new sponsors. This will redound not only to the networks' benefit, but also to the advantage of its many affiliates. It will also enable ABC to compete more effectively with the other networks.

These more favorable conditions—strong financial position, improved physical facilities and increased transmitting power for its owned stations, and new and better programming—should be borne in mind while evaluating the future of the new ABC in light of its 1952 earnings as shown in the enclosed separate report. These improvements will be helpful to ABC in its efforts to achieve a stronger competitive position. However, we do not expect to accomplish miracles overnight. Steady effort and substantial resources must be applied over a period of years.

PERSONNEL OF AB-PT

Under the terms of the merger, and in accordance with prior approval by stockholders of both companies, the Board of Directors of the merged company consists of 18 members, 13 of whom were directors of United Paramount and 5 of whom were directors of ABC.

The former thirteen United Paramount members of the merged company Board are listed on page 2 of this report. The five former ABC directors who have joined the Board of the merged company are Edward J. Noble, ABC Chairman, and Robert E. Kintner, ABC President; Earl E. Anderson and Robert H. Hinckley, Vice Presidents of ABC; and Owen D. Young, Honorary Chairman of the Board of Directors of the General Electric Company.

In addition to Leonard H. Goldenson, President of AB-PT, the following former executives of United Paramount are serving as officers of the merged company: Walter W. Gross, Vice President and General Counsel; Robert H. O'Brien, Financial Vice President and Secretary; Robert M. Weitman, Vice President; Sidney M. Markley, Vice President; Edward L. Hyman, Vice President; Simon B. Siegel, Treasurer; J. L. Brown, Comptroller and Assistant Treasurer; Edith Schaffer, Assistant Secretary. The following former executives of ABC have become officers of AB-PT: Edward J. Noble, Chairman of the Finance Committee of AB-PT; Robert E. Kintner, Vice President, Robert H. Hinckley, Vice President and Geraldine B. Zorbaugh, Assistant Secretary.

Key ABC executives have been retained in their positions and the ABC organization has been augmented with several key persons from United Paramount. Robert H. O'Brien, Financial Vice President and Secretary of AB-PT, has assumed the additional duty of Executive Vice President of the ABC Division under Robert E. Kintner, President. Robert M. Weitman, Vice President of the merged company, has moved over to the ABC Division as Vice President in charge of Programming and Talent. In addition, Earl J. Hudson, formerly president of our subsidiary in Detroit, United Detroit Theatres, has become Vice President in charge of ABC's Western division, and John Mitchell, formerly general manager of our Balaban and Katz TV station in Chicago, has been appointed Vice President in charge of WBKB, the ABC television station in Chicago.

CONCLUSION

The structure of AB-PT provides solid support on which to build a profitable future. We begin functioning as a merged company confident in our ability to take advantage of enlarged opportunities for healthy expansion, vigorous competition, successful operation and increased public service. We welcome the opportunity to work with ABC's officers, staff and affiliates.

I wish to express the warm thanks of the Board of Directors to the stockholders for their loyal support and understanding throughout almost two years while the merger was being considered by Federal authorities. Appreciation is also due to the officers of the Company who assumed additional tasks made necessary by the merger over and above their normal responsibilities, and to the devoted employees who faithfully carried on Company operations during the transitional period.

BY ORDER OF THE BOARD OF DIRECTORS

Leonard H Goldenson

President

March 20, 1953

assets

	January 3, 1953	*December 29, 1951*
CURRENT ASSETS:		
Cash	$ 20,868,756	$ 20,379,436
United States government securities (at approximate market or redemption value)	11,684,858	9,976,508
Notes and accounts receivable, less reserves:		
Notes receivable from disposal of theatre interests since January 1, 1950	549,013	533,096
Affiliated companies	48,395	76,977
Officers and employees	65,277	50,435
Other notes and accounts	1,721,107	1,500,637
Inventory of merchandise and supplies, at cost or less	1,390,789	1,698,487
Total current assets	$ 36,328,195	$ 34,215,576
INVESTMENTS, LESS RESERVES (See Note A):		
Affiliated companies:		
Capital stocks	$ 1,240,762	$ 1,869,489
Advances	343,021	444,431
Notes receivable from disposal of theatre interests since January 1, 1950, due after one year	2,120,734	1,956,664
Other notes and accounts due after one year	334,866	391,498
Miscellaneous	1,511,960	1,057,107
	$ 5,551,343	$ 5,719,189
FIXED ASSETS (See Note B):		
Land	$ 21,594,932	$ 21,816,633
Buildings, equipment and leaseholds	97,988,079	97,833,595
Less — Reserves for depreciation and amortization	(50,952,740)	(49,084,779)
	$ 68,630,271	$ 70,565,449
OTHER ASSETS:		
Deposits to secure contracts	$ 987,332	$ 976,689
Prepaid expenses and deferred charges	2,262,494	1,934,766
	$ 3,249,826	$ 2,911,455
	$113,759,635	$113,411,669

notes to consolidated financial statements

BASIS OF CONSOLIDATION:

Included are all subsidiary companies, wholly owned directly or indirectly by United Paramount Theatres, Inc., and a few such companies in which the common stocks are owned in excess of 85%.

NOTE A—INVESTMENTS:

With the exception of the investment in one company, carried at $1, investments in and receivables from affiliated companies not consolidated are carried at values adjusted to January 1, 1935 with subsequent additions at cost to the predecessor company, Paramount Pictures Inc., to United Paramount Theatres, Inc., or to subsidiaries.

The miscellaneous investments include (1) a balance of $408,612 in respect of stock interests in two companies sold in 1950 for $4,000,000, payable with interest over a period of years out of dividends or distributions received by the purchaser on the stocks of the two companies; any balance of the sale price and accrued interest remaining unpaid on December 31, 1980 to be liquidated, to the extent sufficient, from the net proceeds of the sale of the stocks of the two companies, and (2) a balance of $436,550 in respect of the stock interest in a company sold in 1952 for a secured principal sum of $1,900,000, payable in annual instalments of a fixed nominal amount, subject to increase under certain circumstances, plus interest; any balance of the sale price remaining unpaid on April 1, 1973 becoming due and payable on that date. At January 3, 1953 the uncollected balance of the sales prices amounted to $3,897,104 and $1,896,000, respectively. The difference between the uncollected balance of the sales prices and the amounts carried under miscellaneous investments represents unrealized profit on the sales, which is being taken into the profit and loss account on a pro-rata basis as payments on account of the sales prices are received.

NOTE B—FIXED ASSETS:

The fixed assets, with minor exceptions, are carried at cost, less depreciation, to the predecessor company, Paramount Pictures Inc., to United Paramount Theatres, Inc., or to subsidiaries. Three properties of a consolidated subsidiary carried at a book value of $381,574 are subject to a mortgage in the maximum amount of $373,333 pledged to secure performance under certain leases of such subsidiary.

NOTE C—NOTES ISSUED UNDER LOAN AGREEMENT:

These notes comprise (1) $3,500,000 of 2½% serial notes, due $875,000 semi-annually from July 1, 1954 to and including January 1, 1956, and (2) $36,250,000 of 3½% notes payable in semi-annual instalments of $1,208,000 each beginning July 1, 1956 and continuing to and including January 1, 1971.

NOTE D—RESERVE FOR CONTINGENCIES:

Reserve for contingencies was reduced during the year by $378,881 in respect of payments by the Company and consolidated subsidiaries in settlement of certain litigation and costs in connection therewith. The reserve is intended to provide for additional Federal income taxes, if any, settlements of anti-trust litigation, and other contingencies, applicable to the period prior to December 31, 1949.

NOTE E—CAPITAL STOCK AND SURPLUS:

There were outstanding on January 3, 1953 option warrants which entitled the holders to purchase 214,345 shares of the Company at $16.63 per share on or before December 15, 1957. These option warrants were issued to officers and employees on December 15, 1950 under the Common Stock Option Plan adopted on that date. None of the options issued under the Plan were exercised during the year. Option warrants for an additional 35,000 shares permitted to be issued under the Plan remained unissued at January 3, 1953.

Under the Loan Agreement there are certain restrictions on the Company in declaring or paying any dividends (otherwise than in shares of capital stock of the Company) or making, or permitting any subsidiary to make, any purchase, redemption, or retirement of, or any

liabilities and capital

	January 3, 1953	December 29, 1951
CURRENT LIABILITIES:		
Accounts payable and accrued expenses (including unremitted collections of admission and payroll taxes—January 3, 1953, $2,056,716)	$ 7,446,132	$ 6,814,678
Federal taxes on income, estimated	6,753,866	8,320,506
Less—U. S. Treasury notes	(4,943,265)	(5,593,906)
Notes and mortgages of subsidiary companies	36,843	123,087
Total current liabilities	$ 9,293,576	$ 9,664,365
FUNDED DEBT DUE AFTER ONE YEAR:		
Notes issued under Loan Agreement (See Note C)	39,750,000	41,500,000
Notes and mortgages of subsidiary companies	265,937	379,226
OTHER LIABILITIES:		
Advance payments, self-liquidating	395,999	344,363
Miscellaneous	135,163	223,783
Total liabilities	$ 49,840,675	$ 52,111,737
RESERVE FOR CONTINGENCIES (See Note D)	$ 2,397,263	$ 2,776,144
INTEREST OF MINORITY STOCKHOLDERS IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES	$ 266,978	$ 277,749
CAPITAL STOCK AND SURPLUS (See Note E):		
Common stock, authorized 4,000,000 shares, $1 par value		
Outstanding—3,300,822 shares (1951—3,300,859)	$ 3,300,822	$ 3,300,859
Capital surplus	45,333,150	45,158,799
Earned surplus	12,620,747	9,786,381
	$ 61,254,719	$ 58,246,039
CONTINGENT LIABILITIES (See Note F)		
	$113,759,635	$113,411,669

CONSOLIDATED PROFIT AND LOSS AND SURPLUS ACCOUNTS

profit and loss and earned surplus account

	1952	1951
INCOME:		
Theatre receipts and rentals	$115,626,502	$115,746,552
Dividends from affiliated companies	279,863	555,419
Other income	5,663,150	4,777,779
	$121,569,515	$121,079,750
EXPENSES:		
Theatre operating and general expenses, including film rentals, rents, real estate and other taxes	102,972,448	100,599,628
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION, INCOME TAXES AND OTHER ITEMS BELOW	$ 18,597,067	$ 20,480,122
ADD:		
Capital gains, net, after deducting applicable Federal income tax of $532,879 (1951—$1,266,694) and $200,000 reserve for losses on collections	1,347,487	4,002,590
Share of undistributed earnings (from January 1, 1950 to date of 100% stock acquisition) of companies consolidated for the first time	1,629	(32,271)
	$ 19,946,183	$ 24,450,441
DEDUCT:		
Interest expense	$ 1,421,213	$ 1,476,767
Depreciation of buildings, equipment and leaseholds	5,658,270	5,473,967
Profits applicable to minority holders of stocks of subsidiary companies	25,798	29,806
Federal income tax	5,879,789	6,764,890
	$ 12,985,070	$ 13,745,430
PROFIT FOR THE YEAR	$ 6,961,113	$ 10,705,011
EARNED SURPLUS AT BEGINNING OF YEAR	9,786,381	5,618,925
LESS—DIVIDENDS (CASH) ON COMMON STOCK—$1.25 PER SHARE (1951—$2.00 PER SHARE)	(4,126,747)	(6,537,555)
EARNED SURPLUS AT END OF YEAR	$ 12,620,747	$ 9,786,381

capital surplus account

	1952	1951
BALANCE AT BEGINNING OF YEAR	$ 45,158,799	$ 43,992,584
ADD:		
Net adjustment of initial values of investments in consolidated subsidiary companies acquired at organization	75,833	63,501
Excess of net assets of subsidiary companies at dates of acquisition of outside interests over the investment of United Paramount Theatres, Inc., or consolidated subsidiaries in such companies	98,481	631,393
Proceeds in excess of the par value of 40,655 shares issued upon exercise of stock purchase options		470,238
Transfer from capital stock account of the par value of shares not required to be issued due to retirement of shares of stock of Paramount Pictures Inc.	37	1,083
BALANCE AT END OF YEAR	$ 45,333,150	$ 45,158,799

PRICE WATERHOUSE & CO.

56 PINE STREET

NEW YORK 5

March 20, 1953.

To the Directors and Shareholders of American Broadcasting-Paramount Theatres, Inc. (formerly United Paramount Theatres, Inc.):

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, together with the explanatory notes, present fairly the position of United Paramount Theatres, Inc. and consolidated subsidiary companies at January 3, 1953 and the results of their operations for the fiscal year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

other distribution upon, any of the shares of capital stock of the Company (otherwise than in such shares). These restrictions had the effect of making the capital surplus and $7,494,461 (the amount of capital gains, less provision for taxes thereon) of the consolidated earned surplus at January 3, 1953, unavailable for dividends on the stock of the Company.

NOTE F—CONTINGENT LIABILITIES:

Guaranty of notes of an affiliated company, principal amount $80,000.

For indemnities given in connection with transactions consummated in the rearrangement of theatre assets, for additional Federal income taxes and for pending litigation, including anti-trust suits, to many of which the predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants (amount not determinable).

Under the Plan of Reorganization, United Paramount Theatres, Inc. assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc. whether or not the litigation is commenced after such dissolution and whether or not the litigation is commenced against Paramount Pictures Inc., Paramount Pictures Corporation, United Paramount Theatres, Inc., or any subsidiary of them.

NOTE G—RENTALS UNDER LEASES OF REAL PROPERTY:

United Paramount Theatres, Inc. and its consolidated subsidiaries were liable as of January 3, 1953 under 391 leases of real property expiring subsequent to December 31, 1955 under which the minimum annual rental was approximately $6,492,000. The minimum annual rentals stipulated in these leases which expire during the three five-year periods ending December 31, 1970 and subsequent to that date are as follows:

Leases expiring:	
During the 5 years ending:	
December 31, 1960	$1,847,000
December 31, 1965	1,510,000
December 31, 1970	1,210,000
Subsequent to December 31, 1970	1,925,000
	$6,492,000

NOTE H—MERGER:

The merger of American Broadcasting Company, Inc. into United Paramount Theatres, Inc. (name changed to American Broadcasting-Paramount Theatres, Inc.) was consummated on February 9, 1953. In effectuation of the merger, each of the 1,689,017 outstanding shares of $1 par value common stock of American Broadcasting Company, Inc. was converted into 36/100ths of a share of 5% $20 par value preferred stock and 15/38ths of a share of $1 par value common stock of American Broadcasting-Paramount Theatres, Inc., thereby increasing the outstanding stock by 608,046 12/100ths shares (aggregate par value $12,160,922) of 5% preferred stock and 666,717 9/38ths shares of common stock. The excess of the par value of these additional shares over the par value of the shares of common stock of American Broadcasting Company, Inc., amounting to $11,138,622, is being charged to capital surplus. Balaban & Katz Corporation, a subsidiary of the Company, pursuant to a contract which it made at the time of the merger negotiations in May of 1951 and which contract was contingent upon the consummation of the merger, on February 9, 1953 sold television station WBKB, Chicago, for the sum of $6,000,000. The television station is carried in the accounts at January 3, 1953 at approximately $243,000.

The Company is required in each year to set aside cash as a sinking fund for the redemption of 4% of the maximum number of shares of 5% preferred stock theretofore outstanding at any one time. The sinking fund redemption price starts at $21 in 1953 and reduces periodically until it becomes $20 after June 30, 1958. The Company may take credit, at the sinking fund redemption price, for any shares which it may have purchased or redeemed otherwise than through the sinking fund.

NOTE I—CONSENT JUDGMENT:

The Consent Judgment dated March 3, 1949 entered in the anti-trust proceedings entitled United States of America v. Paramount Pictures Inc., et al, as amended by subsequent orders, requires the Company and its subsidiaries to dispose of certain wholly owned theatres not later than September 3, 1953 (not later than March 1, 1954 as to certain theatres in Texas) and to terminate joint interests in theatres (except with investors) not later than September 3, 1953. The effect on the Company's future operations is, of course, not now determinable.

assets

	United Paramount Theatres, Inc. and subsidiary companies	*American Broadcasting Company, Inc. and subsidiaries*	*Adjustments (Note 1)*	*American Broadcasting-Paramount Theatres, Inc. and subsidiary companies*
CASH AND UNITED STATES GOVERNMENT SECURITIES, stated at approximate market or redemption value	$ 32,553,614	$ 1,682,012	$ 6,000,000 (C) (7,662,325) (D)	$ 32,573,301
NOTES AND ACCOUNTS RECEIVABLE, less reserves:				
Notes receivable from disposal of theatre interests since January 1, 1950	549,013			549,013
Affiliated companies	48,395			48,395
Other notes and accounts	1,786,384	6,286,466		8,072,850
INVENTORY OF MERCHANDISE AND SUPPLIES, at cost or less	1,390,789			1,390,789
Total current assets	$ 36,328,195	$ 7,968,478	$ (1,662,325)	$ 42,634,348
INVESTMENTS, less reserves:				
Affiliated companies not consolidated:				
Capital stocks	1,240,762			1,240,762
Advances	343,021			343,021
Notes receivable from disposal of theatre interests since January 1, 1950, due after one year	2,120,734			2,120,734
Other notes and accounts due after one year	334,866			334,866
Other investments	1,511,960			1,511,960
FIXED ASSETS:				
Land	21,594,932	1,611,731	(1,250) (C)	23,205,413
Buildings, equipment and leaseholds	97,988,079	16,043,431	(557,044) (C)	113,474,466
Less—Reserves for depreciation and amortization	(50,952,740)	(6,051,465)	325,005 (C)	(56,679,200)
INTANGIBLES, at cost		8,756,620		8,756,620
OTHER ASSETS:				
Deposits to secure contracts	987,332			987,332
Prepaid expenses and deferred charges	2,262,494	918,167	(9,492) (C)	3,171,169
	$113,759,635	$ 29,246,962	$ (1,905,106)	$141,101,491

Pro Forma Consolidating Balance Sheet At January 3, 1953

liabilities and capital

	United Paramount Theatres, Inc. and subsidiary companies	*American Broadcasting Company, Inc. and subsidiaries*	*Adjustments (Note 1)*	*American Broadcasting-Paramount Theatres, Inc. and subsidiary companies*
ACCOUNTS PAYABLE AND ACCRUED EXPENSES . . .	$ 7,446,132	$ 3,794,629		$ 11,240,761
FEDERAL TAXES ON INCOME, ESTIMATED (less U. S. Treasury notes of $4,943,265 for United Paramount Theatres, Inc. and subsidiary companies)	1,810,601	365,870	$ 1,496,877 (C)	3,673,348
PORTION OF LONG TERM DEBT PAYABLE WITHIN ONE YEAR (including notes issued under loan agreements) . .	36,843	3,039,506	(3,000,000) (D)	76,349
Total current liabilities	$ 9,293,576	$ 7,200,005	$ (1,503,123)	$ 14,990,458
LONG TERM DEBT (including notes issued under loan agreements)	40,015,937	7,527,749	(4,662,325) (D)	42,881,361
OTHER LIABILITIES:				
Advance payments, self-liquidating	395,999			395,999
Miscellaneous	135,163			135,163
RESERVE FOR CONTINGENCIES	2,397,263			2,397,263
INTEREST OF MINORITY STOCKHOLDERS IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES CONSOLIDATED	266,978		58,090 (C)	325,068
CAPITAL STOCK:				
United Paramount Theatres, Inc. Common, par value $1 per share: Authorized 4,000,000 shares, outstanding 3,300,822 shares	3,300,822		(3,300,822) (B)	
American Broadcasting Company, Inc. Common, par value $1 per share: Authorized 2,500,000 shares, outstanding 1,689,017 shares		1,689,017	(1,689,017) (A)	
American Broadcasting-Paramount Theatres, Inc.:				
5% Preferred, par value $20 per share: Authorized 608,047 shares, outstanding 608,046 12/100ths shares			12,160,922 (A)	12,160,922
Common, par value $1 per share: Authorized 5,000,000 shares, outstanding 3,967,539 9/38ths shares			666,717 (A) 3,300,822 (B)	3,967,539
SURPLUS:				
Paid-in		8,843,976		8,843,976
Capital (see Note 2)	45,333,150		(11,138,622) (A)	34,194,528
Earned	12,620,747	3,986,215	4,202,252 (C)	20,809,214
	$113,759,635	$ 29,246,962	$ (1,905,106)	$141,101,491

notes to pro forma consolidating balance sheet At January 3, 1953

NOTE 1—TRANSACTIONS GIVEN EFFECT TO IN THE PRO FORMA BALANCE SHEET:

(A) The conversion of each share of common stock of American Broadcasting Company, Inc. into 36/100ths of a share of 5% preferred stock and 15/38ths of a share of common stock of American Broadcasting-Paramount Theatres, Inc., upon consummation of the merger on February 9, 1953. As set forth in Note 2 below, the excess of par value of the shares of American Broadcasting-Paramount Theatres, Inc. over the par value of the shares of American Broadcasting Company, Inc. is charged to capital surplus.

(B) The outstanding shares of common stock of United Paramount Theatres, Inc. which will continue as shares of American Broadcasting-Paramount Theatres, Inc.

(C) The sale, on February 9, 1953, by Balaban & Katz Corporation, a 98.6365% subsidiary of United Paramount Theatres, Inc., of television station WBKB, Chicago, for the sum of $6,000,000 in cash. Under contract entered into at the time of the merger negotiations such sale was contingent upon the consummation of the merger.

(D) The prepayment on February 13, 1953, as authorized by the Board of Directors of American Broadcasting-Paramount Theatres, Inc. on February 11, 1953, of the following debt outstanding under loan agreements of American Broadcasting Company, Inc.:

4% note payable to insurance company	$4,662,325
3¼% notes payable to bank	2,500,000
3% notes payable to bank (instalment due November 1, 1953)	500,000
	$7,662,325

The remaining debt includes $1,500,000 of 3% notes payable to bank, which are payable $500,000 on November 1, 1954 and $1,000,000 on November 1, 1955.

NOTE 2—THE EFFECT OF THE MERGER UPON CAPITAL SURPLUS:

Par value of American Broadcasting-Paramount Theatres, Inc. stock issuable upon conversion of common stock of American Broadcasting Company, Inc.:	
5% preferred stock—608,046 12/100ths shares (1,689,017 x 36/100ths) at $20	$12,160,922
Common stock—666,717 9/38ths shares (1,689,017 x 15/38ths) at $1	666,717
	$12,827,639
Par value of American Broadcasting Company, Inc. common stock being converted—1,689,017 shares at $1	1,689,017
Charge to capital surplus	$11,138,622

NOTE 3—GENERAL:

The balance sheet of American Broadcasting Company, Inc. and subsidiaries included in the pro forma balance sheet is at December 31, 1952. Notes to accompanying financial statements of United Paramount Theatres, Inc. and subsidiary companies, at January 3, 1953, and American Broadcasting Company, Inc. and subsidiaries, at December 31, 1952, are applicable to the pro forma consolidating balance sheet.