

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

## FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 28, 1997

Commission file number 1-6714

THE WASHINGTON POST COMPANY  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

53-0182885  
(I.R.S. EMPLOYER  
IDENTIFICATION NO)

1150 15TH ST., N.W., WASHINGTON, D.C.  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

20071  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (202) 334-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Class B Common Stock, par value \$1.00 per share	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /.

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

Aggregate market value of the Company's voting stock held by non-affiliates on February 27, 1998, based on the closing price for the Company's Class B Common Stock on the New York Stock Exchange on such date: approximately \$2,520,000,000.

Shares of common stock outstanding at February 27, 1998:

Class A Common Stock - 1,739,250 shares  
Class B Common Stock - 8,342,020 shares

Documents partially incorporated by reference:

Definitive Proxy Statement for the Company's 1998 Annual Meeting of Stockholders (incorporated in Part III to the extent provided in Items 10, 11, 12 and 13 hereof).

## PART I

## ITEM 1. BUSINESS.

The principal business activities of The Washington Post Company (the "Company") consist of newspaper publishing (principally The Washington Post), television broadcasting (through the ownership and operation of six network-affiliated stations), the ownership and operation of cable television systems, and magazine publishing (principally Newsweek magazine).

Information concerning the consolidated operating revenues, consolidated income from operations and identifiable assets attributable to the principal segments of the Company's business for the last three fiscal years is contained in Note M to the Company's Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K. (Revenues for each segment are shown in such Note M net of intersegment sales, which did not exceed 0.2% of consolidated operating revenues.)

During each of the last three years the Company's operations in geographic areas outside the United States (consisting primarily of the publication of the international editions of Newsweek) accounted for less than 6% of the Company's consolidated revenues and less than 2% of its consolidated income from operations, and the identifiable assets attributable to such operations represented less than 2% of the Company's consolidated assets.

## NEWSPAPER PUBLISHING

## THE WASHINGTON POST

The Washington Post is a morning and Sunday newspaper primarily distributed by home delivery in the Washington, D.C. metropolitan area, including large portions of Virginia and Maryland.

The following table shows the average paid daily (including Saturday) and Sunday circulation of The Post for the twelve-month periods ended September 30 in each of the last five years, as reported by the Audit Bureau of Circulations ("ABC") for the years 1993-1996 and as estimated by The Post for the twelve-month period ended September 30, 1997 (for which period ABC had not completed its audit as of the date of this report) from the semiannual publisher's statements submitted to ABC for the six-month periods ended March 31, 1997 and September 30, 1997:

	AVERAGE PAID CIRCULATION	
	DAILY	SUNDAY
1993.....	823,752	1,152,272
1994.....	821,956	1,152,441
1995.....	807,818	1,140,498
1996.....	800,295	1,129,519
1997.....	787,987	1,112,817

A price increase for home-delivered copies of the daily and Sunday newspaper went into effect on February 3, 1997, raising the rate per four-week period from \$10.20 to \$10.60. On January 8, 1996 that rate had been raised to \$10.20 from \$9.80. The rate charged to subscribers for Sunday-only home-delivered copies of the newspaper for each four-week period has been \$6.00 since 1991. On April 6, 1992, the newsstand price for the Sunday newspaper was increased from \$1.25 (which price had been in effect since 1986) to \$1.50. The newsstand price for the daily newspaper has been \$0.25 since 1981.

General advertising rates were increased by approximately 3.6% on January 1, 1997, and approximately another 4.6% on January 1, 1998. Rates for most categories of classified and retail

advertising were increased by approximately 3.4% on February 1, 1997, and approximately an additional 4.2% on February 1, 1998.

The following table sets forth The Post's advertising inches (excluding preprints) and number of preprints for the past five years:

	1993	1994	1995	1996	1997
	----	----	----	----	----
Total Inches (in thousands).....	3,394	3,391	3,212	3,070	3,192
Full-Run Inches.....	3,165	3,133	2,950	2,814	2,897
Part-Run Inches.....	229	258	262	256	294
Preprints (in millions).....	1,142	1,325	1,416	1,445	1,549

The Post also publishes The Washington Post National Weekly Edition, a tabloid which contains selected articles and features from The Washington Post edited for a national audience. The National Weekly Edition has a basic subscription price of \$48.00 per year and is delivered by second class mail to approximately 92,000 subscribers.

The Post has about 550 full-time editors, correspondents, reporters and photographers on its staff, draws upon the news reporting facilities of the major wire services and maintains correspondents in 20 news centers abroad and in New York City, Los Angeles, Chicago, Miami, Richmond, Baltimore, Annapolis and Austin, Texas.

#### THE HERALD

The Company owns The Daily Herald Company, publisher of The Herald in Everett, Washington, about 30 miles north of Seattle. The Herald is published mornings seven days a week and is primarily distributed by home delivery in Snohomish County. The Daily Herald Company also provides commercial printing services and in July 1996 acquired four controlled-circulation weekly community newspapers (collectively known as The Enterprise Newspapers) that are distributed in south Snohomish County.

The Herald's average paid circulation as reported to ABC for the twelve months ended September 30, 1997, was 54,692 daily (including Saturday) and 64,159 Sunday. The aggregate average weekly circulation of The Enterprise Newspapers during the twelve-month period ended December 31, 1997, was approximately 57,000 copies.

The Herald and The Enterprise Newspapers together employ approximately 70 editors, reporters and photographers.

#### THE GAZETTE NEWSPAPERS

The Gazette Newspapers, Inc., another subsidiary of the Company, publishes one paid-circulation and 25 controlled-circulation weekly community newspapers (collectively known as The Gazette Newspapers) in Montgomery and Frederick Counties and parts of Prince George's and Carroll Counties, Maryland. During 1997 The Gazette Newspapers had an aggregate average weekly circulation of more than 390,000 copies. This subsidiary also produces 11 military newspapers (most of which are weekly) under agreements where editorial material is supplied by local military bases; these newspapers had a combined 1997 circulation of over 157,000 copies.

The Gazette Newspapers have approximately 80 editors, reporters and photographers on their combined staffs.

The Gazette Newspapers, Inc. also operates a commercial printing business which it acquired in 1996.

## TELEVISION BROADCASTING

Through subsidiaries the Company owns six VHF television stations located in Detroit, Michigan; Houston, Texas; Miami, Florida; Orlando, Florida; San Antonio, Texas; and Jacksonville, Florida; which are respectively the 9th, 11th, 16th, 22nd, 38th and 54th largest broadcasting markets in the United States. Each of the Company's stations is affiliated with a national network. Although network affiliation agreements generally have limited terms, each of the Company's television stations has maintained a network affiliation continuously for at least 20 years.

The Company's 1997 net operating revenues from national and local television advertising and network compensation were as follows:

National.....	\$ 131,834,000
Local.....	169,419,000
Network.....	34,288,000
	-----
Total.....	\$ 335,541,000

The following table sets forth certain information with respect to each of the Company's television stations:

STATION LOCATION AND YEAR COMMERCIAL OPERATION COMMENCED	NATIONAL MARKET RANKING(a)	NETWORK AFFILIATION	EXPIRATION DATE OF FCC LICENSE	EXPIRATION DATE OF NETWORK AGREEMENT	TOTAL COMMERCIAL STATIONS IN DMA(b)	
					ALLOCATED	OPERATING
WDIV Detroit, Mich. 1947	9th	NBC	Oct. 1, 2005	June 30, 2004	VHF-4 UHF-6	VHF-4 UHF-5
KPRC Houston, Tx. 1949	11th	NBC	Aug. 1, 1998	June 30, 2004	VHF-3 UHF-11	VHF-3 UHF-10
WPLG Miami, Fla. 1961	16th	ABC	Feb. 1, 2005	Dec. 31, 2004	VHF-5 UHF-8	VHF-5 UHF-8
WKMG Orlando, Fla. 1954	22nd	CBS	Feb. 1, 2005	Apr. 6, 2005	VHF-3 UHF-10	VHF-3 UHF-9
KSAT San Antonio, Tx. 1957	38th	ABC	Aug. 1, 1998	Dec. 31, 2004	VHF-4 UHF-6	VHF-3 UHF-5
WJXT Jacksonville, Fla. 1947	54th	CBS	Feb. 1, 2005	July 10, 2001	VHF-2 UHF-6	VHF-2 UHF-4

(a) Source: 1997/98 DMA Market Rankings, Nielsen Media Research, Fall 1997, based on television homes in DMA (see note (b) below).

(b) Designated Market Area ("DMA") is a market designation of A.C. Nielsen which defines each television market exclusive of another, based on measured viewing patterns.

The Company acquired the assets of WKMG on September 4, 1997, in exchange for the assets of VHF television station WFSB, a CBS affiliate in Hartford, Connecticut which had been owned by the Company for many years, plus a cash payment.

#### REGULATION OF BROADCASTING AND RELATED MATTERS

The Company's television broadcasting operations are subject to the jurisdiction of the Federal Communications Commission under the Communications Act of 1934, as amended. Under authority of such Act the FCC, among other things, assigns frequency bands for broadcast and other uses; issues, revokes, modifies and renews broadcasting licenses for particular frequencies; determines the location and power of stations and establishes areas to be served; regulates equipment used by stations; and adopts and implements regulations and policies which directly or indirectly affect the ownership, operations and profitability of broadcasting stations.

Each of the Company's television stations holds an FCC license which is renewable upon application for an eight-year period.

After proceedings that extended over many years, in December 1996 the FCC formally approved technical standards for digital advanced television ("DTV"). DTV is a flexible system that will permit broadcasters to utilize a single digital channel in various ways, including providing one channel of high-definition television programming with greatly enhanced image and sound quality or several channels of lower-definition television programming ("multicasting"), and is capable of accommodating subscription video and data services. Broadcasters may offer a combination of services, so long as they transmit at least one stream of free video programming on the DTV channel. The FCC has assigned to each existing full power television station (including each station owned by the Company) a second channel to implement DTV while present television operations are continued on that station's existing channel. Although in some cases a station's DTV channel may only permit operation over a smaller geographic service area than that available using its existing channel, the FCC's stated goal in assigning channels was to provide stations with DTV service areas that will be generally consistent with their existing service areas. Under FCC rules and the Balanced Budget Act of 1997, station owners will be required to surrender one channel in 2006 and thereafter provide service solely in the DTV format. The deadlines that have been established for each of the Company's stations to construct DTV facilities range from May 1999 to May 2002, depending upon the size of the market in which the station is licensed.

The Company anticipates that the conversion to DTV broadcasting will require significant capital expenditures but cannot otherwise predict what effects the DTV conversion eventually will have upon its television broadcast operations. The FCC's assignment of DTV channels and its DTV rules may be subject to judicial review. In addition, the FCC is expected to take additional actions to refine its DTV decisions. Among the issues the FCC now is considering is how to implement the requirement of the Telecommunications Act of 1996 that it charge broadcasters a fee for offering subscription services on the DTV channel. The FCC also will consider whether and how to extend cable systems' obligations for mandatory carriage of certain broadcast television signals to the DTV channel. Deliberations on this issue likely will include the question of whether cable systems will be required to carry all the channels broadcast by a television station that multicasts on its DTV channel and whether cable systems should be required to retransmit DTV signals in the same definition in which originally broadcast. Finally, the Clinton Administration has established an advisory committee to consider whether additional public interest obligations should be imposed on broadcasters' digital operations and to make recommendations for such additional requirements to the FCC.

The FCC also is conducting proceedings dealing with such matters as the standards to be applied to broadcast renewal applications, multiple ownership restrictions, regulations pertaining to cable

television (discussed below under "Cable Television Division - Regulation of Cable Television and Related Matters"), and various proposals to further the development of alternative video delivery systems that would compete in varying degrees with both cable television and television broadcasting operations. The multiple ownership rules were relaxed by amendments to the Communications Act enacted in 1996 and broadcast companies are now permitted to own an unlimited number of television stations as long as the combined service areas of such stations do not include more than 35% of the U.S. population. Separately, the Clinton Administration has suggested that broadcasters be required to provide free time for political candidates. The Company is unable to determine what impact the various proceedings and other matters described in this paragraph may ultimately have on the Company's television broadcast operations.

#### CABLE TELEVISION DIVISION

As of the end of 1997 the Company (through subsidiaries) provided basic cable service to approximately 637,000 subscribers (representing about 74% of the 860,000 homes passed by the systems) and had in force more than 389,000 subscriptions to premium program services.

During 1997 the Company acquired a cable television system serving 16,000 subscribers in Cleveland, Mississippi, and also completed a transaction in which it traded systems it owned in the Chicago suburbs and in California for systems located in Minnesota, Mississippi and Oklahoma. The systems it acquired in the foregoing trade serve an aggregate of about 21,000 more subscribers than the systems it disposed of in connection therewith. The Company also has entered into definitive agreements to acquire a cable television system serving approximately 36,000 subscribers in Anniston, Alabama, and to exchange a system it currently owns in Texas for a system in Oklahoma which serves about 2,300 more subscribers than the Texas system. In addition, the Company is a party to agreements in principle providing for the purchase by the Company of a cable television system serving approximately 7,000 subscribers in Mississippi and the sale by the Company of 14 of its smaller systems which serve in the aggregate about 29,000 subscribers.

The Company's cable systems are located in 17 Midwestern, Southern and Western states and typically serve smaller communities; thus 34 of the Company's current systems pass fewer than 10,000 dwelling units, 15 pass 10,000-25,000 dwelling units, and only 12 pass more than 25,000 dwelling units, of which the two largest are in Modesto and Santa Rosa, California, each serving more than 48,000 basic subscribers.

#### REGULATION OF CABLE TELEVISION AND RELATED MATTERS

The Company's cable operations are subject to various requirements imposed by local, state and federal governmental authorities. The franchises granted by local governmental authorities are typically nonexclusive and limited in time and generally contain various conditions and limitations relating to payment of fees to the local authority, determined generally as a percentage of revenues. Additionally, franchises often regulate the conditions of service and technical performance, and contain various types of restrictions on transferability. Failure to comply with such conditions and limitations may give rise to rights of termination by the franchising authority.

The Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"), requires or authorizes the imposition of a wide range of regulations on cable television operations. The three major areas of regulation are (i) the rates charged for certain cable television services, (ii) required carriage ("must carry") of some local broadcast stations, and (iii) retransmission consent rights for commercial broadcast stations.

Among other things, the Telecommunications Act of 1996 altered the preexisting regulatory environment by expanding the definition of "effective competition" (a condition that precludes regulation of the rates charged by a cable system for basic and optional tiers of service), relaxing cost-of-service rules, raising the threshold for FCC investigations of rate complaints, terminating rate regulations for some small cable systems, and providing for the elimination of rate regulation for all cable systems regardless of size by March 31, 1999. For cable systems that do not fall within the effective-competition or small-system exemptions (including all of the cable systems owned by the Company), monthly subscription rates for the basic tier of cable service may be regulated by municipalities, subject to procedures and criteria established by the FCC, and the FCC may regulate the rates charged for optional tiers of service. Rates charged by cable television systems for pay-per-view service, for per-channel premium program services and for advertising are all exempt from regulation. Cable television systems may also add channels to an unregulated new product tier, but the channels must be new to the system as of October 1, 1994. Legislation has been introduced in the current Congress which would eliminate the March 31, 1999, sunset for cable television system rate regulation; if enacted, this legislation would have the effect of continuing such regulation subject to the effective-competition and other exceptions described above.

In April 1993 the FCC adopted a "freeze" on rate increases for regulated services (i.e., the basic and optional tiers). Later that year the FCC promulgated benchmarks for determining the reasonableness of rates for such services. The benchmarks provided for a percentage reduction in the rates that were in effect when the benchmarks were announced. Under the FCC's approach cable operators may exceed the benchmarks if they can show in a cost-of-service proceeding that higher rates are needed to earn a reasonable return on investment, which the Commission established in March 1994 to be 11.25%. Also, the FCC has adopted so-called "going forward" rules which permit cable operators to increase their benchmarked rates for regulated services when new channels are added and to offset the effects of inflation, equipment upgrades, and higher programming, franchising and regulatory fees.

Pursuant to the "must-carry" rules a commercial television broadcast station may, under certain circumstances, insist on carriage of its signal on cable systems located within the station's market area, while a noncommercial public station may insist on carriage of its signal on cable systems located within either the station's predicted Grade B contour or 50 miles of the station's transmitter. As a result of these obligations (the constitutionality of which has been upheld by the U.S. Supreme Court) certain of the Company's cable systems have had to carry broadcast stations that they might not otherwise have elected to carry, and the freedom the Company's systems would otherwise have to drop signals previously carried has been reduced.

At three-year intervals beginning in October 1993 commercial broadcasters have had the right to forego must-carry rights and insist instead that their signals not be carried without their prior consent. Before October 1993 some of the broadcast stations carried by the Company's cable television systems opted for retransmission consent and initially took the position that they would not grant consent without commitments by the Company's systems to make cash payments. As a result of case-by-case negotiations, the Company's cable systems were able to continue carrying virtually all of the stations insisting on retransmission consent without having to agree to pay any stations for the privilege of carrying their signals. However some commitments were made to carry other program services offered by a station or an affiliated company, to provide advertising availabilities on cable for sale by a station and to distribute promotional announcements with respect to a station. Many of these agreements between broadcast stations and the Company's cable systems expired at the end of 1996 and the expired agreements were replaced by new agreements having comparable terms.

The FCC will soon be considering the extent to which the must-carry and retransmission consent requirements described above will apply to broadcasters' DTV operations. Such an extension of must-carry requirements could result in the Company's cable systems being required to delete some existing programming to make room for broadcasters' DTV channels.

Various other provisions in current Federal law may significantly affect the costs or profits of cable television systems. These matters include a prohibition on exclusive franchises, restrictions on the ownership of competing video delivery services, restrictions on transfers of cable television ownership, consumer protection measures, and various regulations intended to facilitate the development of competing video delivery services. Other provisions benefit the owners of cable systems by restricting regulation of cable television in many significant respects, requiring that franchises be granted for reasonable periods of time, providing various remedies and safeguards to protect cable operators against arbitrary refusals to renew franchises, and limiting franchise fees to 5% of revenues.

Apart from its authority under the 1992 Cable Act and the Telecommunications Act of 1996, the FCC regulates various other aspects of cable television operations. Since 1990 cable systems have been required to black out from the distant broadcast stations they carry syndicated programs for which local stations have purchased exclusive rights and requested exclusivity. Other long-standing FCC rules require cable systems to delete under certain circumstances duplicative network programs broadcast by distant stations. The FCC also imposes certain technical standards on cable television operators, exercises the power to license various microwave and other radio facilities frequently used in cable television operations, regulates the assignment and transfer of control of such licenses, and oversees compliance with certain affirmative action and equal employment opportunity obligations applicable to cable systems. In addition, pursuant to the Pole Attachment Act, the FCC exercises authority to disapprove unreasonable rates charged to cable operators by telephone and power utilities for utilizing space on utility poles or in underground conduits.

The Copyright Act of 1976 grants to cable television systems, under certain terms and conditions, the right to retransmit the signals of television stations pursuant to a compulsory copyright license. Those terms and conditions include the payment of certain license fees set forth in the statute or established by subsequent administrative regulations. The compulsory license fees have been increased on several occasions since this Act went into effect. In 1994 the availability of the compulsory copyright license was extended to "wireless cable" and direct broadcast satellite operators, although in the latter case the license right is currently limited to independent and network-affiliated stations whose over-the-air signal (or a signal carrying the same network's programming) is not available at the subscriber's location. Some pending legislative proposals would modify or eliminate the compulsory copyright licensing scheme, and the FCC and others have urged that the compulsory license be phased out for local or distant broadcast signals or both.

The general prohibition on telephone companies operating cable systems in areas where they provide local telephone service was eliminated by the Telecommunications Act of 1996. Telephone companies now can provide video services in their telephone service areas under four different regulatory plans. First, they can provide traditional cable television service and be subject to the same regulations as the Company's cable television systems (including compliance with local franchise and any other local or state regulatory requirements). Second, they can provide "wireless cable" service, which is described below, and not be subject to either cable regulations or franchise requirements. Third, they can provide video services on a common-carrier basis, under which they would not be required to obtain local franchises but would be subject to common-carrier regulation (including a prohibition against exercising control over programming content). Finally, they can operate so-called "open video systems" without local franchises and be subject to reduced regulatory burdens. The Act contains detailed requirements

governing the operation of open video systems, including the nondiscriminatory offering of capacity to third parties and limiting to one-third of total system capacity the number of channels the operator can program when demand exceeds available capacity. In addition, the rates charged by an open video system operator to a third party for the carriage of video programming must be just and reasonable as determined in accordance with standards to be established by the FCC. (Cable operators and others not affiliated with a telephone company may also become operators of open video systems.) The Act also generally prohibits telephone companies from acquiring or owning an interest in existing cable systems operating in their service areas.

The Telecommunications Act of 1996 balances this grant of video authority to telephone companies by removing regulatory barriers to the offering of telephone services by cable companies and others. The Act preempts state and local laws that have barred local telephone competition in some states. In addition, the Act requires local telephone companies to permit cable companies and other competitors to connect with the telephone network and requires telephone companies to give competitors access to the essential features and functionalities of the local telephone network (such as switching capability, signal carriage from the subscriber's residence to the switching center and directory assistance) on an unbundled basis. As an alternative method of providing local telephone service, the Act permits cable companies and others to purchase telephone service on a wholesale basis and then resell it to their subscribers.

During the past several years, the FCC has adopted various rule changes intended to facilitate the development of so-called "wireless cable," a video service that is capable of distributing approximately 30 television channels in a local area by over-the-air microwave transmission using analog technology and is capable of providing a greater number of channels using digital compression technologies. The FCC also is expected to issue licenses in the near future for a new digital wireless cable service which may utilize up to 1,300 megahertz of spectrum in the 28 and 31 gigahertz bands and is intended to provide large numbers of video channels as well as voice and data transmission services. Wireless cable services are not required to obtain franchises from local governmental authorities and generally operate under fewer regulatory requirements than conventional cable television systems.

Litigation is pending in various courts in which prohibitions on cable television operations without a franchise and various franchise requirements are being challenged as unlawful under the First Amendment, the antitrust laws and on other grounds. If successful, such litigation could facilitate the development of duplicative cable facilities that would compete with existing cable systems.

The regulation of certain cable television rates pursuant to the authority granted to the FCC has negatively impacted the revenues of the Company's cable systems. The Company is unable to predict what effect the other matters discussed above may ultimately have on its cable television business.

#### MAGAZINE PUBLISHING

##### NEWSWEEK

Newsweek is a weekly news magazine published both domestically and internationally by Newsweek, Inc., a subsidiary of the Company. In gathering, reporting and writing news and other material for publication, Newsweek maintains news bureaus in 9 U.S. and 13 foreign cities.

The domestic edition of Newsweek is comprised of over 100 different geographic or demographic editions which carry substantially identical news and feature material but enable advertisers to direct messages to specific market areas or demographic groups. Domestically, Newsweek ranks second in circulation among the three leading weekly news magazines (Newsweek, Time and U.S. News & World Report). Its average weekly domestic circulation rate base and its percentage of the total weekly

domestic circulation rate base of the three leading weekly news magazines for the past five years are set forth in the following table:

	NEWSWEEK AVERAGE WEEKLY CIRCULATION RATE BASE -----	PERCENTAGE OF THREE LEADING NEWS MAGAZINES -----
1993.....	3,100,000	32.7%
1994.....	3,100,000	33.0%
1995.....	3,100,000	33.0%
1996.....	3,100,000	33.4%
1997.....	3,100,000	34.0%

Newsweek is sold on newsstands and through subscription mail order sales derived from a number of sources, principally direct mail promotion. The basic one-year subscription price is \$41.08. Most subscriptions are sold at a discount from the basic price. Since January 1992 Newsweek's newsstand price has been \$2.95 per copy.

The total number of Newsweek's domestic advertising pages and gross domestic advertising revenues as reported by Publishers' Information Bureau, Inc., together with Newsweek's percentages of the total number of advertising pages and total advertising revenues of the three leading weekly news magazines, for the past five years have been as follows:

	NEWSWEEK ADVERTISING PAGES*	PERCENTAGE OF THREE LEADING NEWS MAGAZINES -----	NEWSWEEK GROSS ADVERTISING REVENUES*	PERCENTAGE OF THREE LEADING NEWS MAGAZINES -----
1993.....	2,102	33.3%	\$ 260,673,000	32.3%
1994.....	2,057	32.1%	276,074,000	32.4%
1995.....	2,279	34.1%	328,886,000	34.9%
1996.....	2,520	36.6%	381,621,000	37.0%
1997.....	2,633	35.4%	406,324,000	35.1%

\* ADVERTISING PAGES AND GROSS ADVERTISING REVENUES ARE THOSE REPORTED BY PUBLISHERS' INFORMATION BUREAU, INC. PIB COMPUTES GROSS ADVERTISING REVENUES FROM BASIC ONE-TIME RATES AND THE NUMBER OF ADVERTISING PAGES CARRIED. PIB FIGURES THEREFORE MATERIALLY EXCEED ACTUAL GROSS ADVERTISING REVENUES, WHICH REFLECT LOWER RATES FOR MULTIPLE INSERTIONS. NET REVENUES AS REPORTED IN THE COMPANY'S CONSOLIDATED STATEMENTS OF INCOME ALSO EXCLUDE AGENCY FEES AND CASH DISCOUNTS, WHICH ARE INCLUDED IN THE GROSS ADVERTISING REVENUES SHOWN ABOVE. PAGE AND REVENUE FIGURES EXCLUDE AFFILIATED ADVERTISING.

Newsweek's advertising rates are based on its average weekly circulation rate base and are competitive with the other weekly news magazines. Effective with the January 13, 1997 issue, national advertising rates were increased by an average of 3.5%. Beginning with the issue dated January 12, 1998, national advertising rates were increased again by an average of 4.0%.

Newsweek Business Plus, which is published 39 times a year, is a demographic edition of Newsweek distributed to high-income professional and managerial subscribers and subscribers in zip-code-defined areas. Advertising rates for this edition, which has a circulation rate base of 1,000,000 copies, were increased an average of 3.5% in January 1997 and by an additional 4.0% in January 1998.

Newsweek's other demographic edition, Newsweek Woman, which was published 13 times during 1997, has a circulation rate base of 700,000 selected female subscribers. At the beginning of 1997

advertising rates for this edition were increased by an average of 3.5%, with an additional average increase of 4.0% instituted early in 1998.

Internationally, Newsweek is published in an Atlantic edition covering the British Isles, Europe, the Middle East and Africa, a Pacific edition covering Japan, Korea and Southeast Asia, and a Latin America edition, all of which are in the English language. Editorial copy solely of domestic interest is eliminated in the international editions and is replaced by other international, business or national coverage primarily of interest abroad.

Since 1984 a section of Newsweek articles has been included in The Bulletin, an Australian weekly news magazine which also circulates in New Zealand. In 1986 a Japanese-language edition of Newsweek, Newsweek Nihon Ban, began publication in Tokyo pursuant to an arrangement with a Japanese publishing company which translates editorial copy, sells advertising in Japan and prints and distributes the edition. Newsweek Hankuk Pan, a Korean-language edition of Newsweek, began publication in 1991 pursuant to a similar arrangement with a Korean publishing company. Since 1996 Newsweek en Espanol, a Spanish-language edition of Newsweek intended primarily for distribution in Latin America, has been published under an agreement with a Miami-based publishing company which translates editorial copy, prints and distributes the edition and jointly sells advertising with Newsweek. Distribution of this edition in Spain began in early 1997. Also, a Russian-language newsweekly modeled after Newsweek began publication in May 1996 pursuant to licensing and advisory agreements entered into by Newsweek with a Russian publishing and broadcasting company. This magazine includes selected stories translated from Newsweek's various U.S. and foreign editions and is called Itogi (which means "summing-up" in Russian).

The average weekly circulation rate base, advertising pages and gross advertising revenues of Newsweek's international editions (including The Bulletin insertions but not including the foreign-language editions of Newsweek) for the past five years have been as follows:

	AVERAGE WEEKLY CIRCULATION RATE BASE -----	ADVERTISING PAGES* -----	GROSS ADVERTISING REVENUES* -----
1993.....	745,000	2,128	\$ 68,347,000
1994.....	748,000	2,351	79,900,000
1995.....	750,000	2,502	90,968,000
1996.....	752,000	2,446	92,638,000
1997.....	767,000	2,287	89,330,000

\* ADVERTISING PAGES AND GROSS ADVERTISING REVENUES ARE THOSE REPORTED BY LNA INTERNATIONAL. LNA COMPUTES GROSS ADVERTISING REVENUES FROM BASIC ONE-TIME RATES AND THE NUMBER OF ADVERTISING PAGES CARRIED. LNA FIGURES THEREFORE MATERIALLY EXCEED ACTUAL GROSS ADVERTISING REVENUES, WHICH REFLECT LOWER RATES FOR MULTIPLE INSERTIONS. NET REVENUES AS REPORTED IN THE COMPANY'S CONSOLIDATED STATEMENTS OF INCOME ALSO EXCLUDE AGENCY FEES AND CASH DISCOUNTS, WHICH ARE INCLUDED IN THE GROSS ADVERTISING REVENUES SHOWN ABOVE. PAGE AND REVENUE FIGURES EXCLUDE AFFILIATED ADVERTISING.

For 1998 the average weekly circulation rate base for Newsweek's English-language international editions (including The Bulletin insertions) will be 752,000 copies. Newsweek's rate card estimates the average weekly circulation for 1998 for the Japanese-, Korean-, Russian- and Spanish-language editions will be 140,000, 120,000, 85,000 and 43,000 copies, respectively.

Since 1994 Newsweek has produced a weekly news magazine for online distribution. This magazine, Newsweek Interactive, integrates text, photos and audio and is currently available on the America Online service.

In August 1996 the United States Food and Drug Administration issued final rules designed to restrict the marketing of tobacco products to minors. These rules, which among other things would limit advertising for tobacco products in print publications whose youth readership exceeds certain levels to black and white, text-only "tombstone" ads, were scheduled to go into effect on August 28, 1997. Shortly before the effective date a United States District Court in North Carolina held that the FDA's proposed advertising rules exceeded its authority and stayed the application of those rules. This ruling has been appealed to the United States Court of Appeals for the Fourth Circuit, which has not yet rendered a decision on the matter. Also, during 1997 a comprehensive litigation settlement was arrived at by tobacco companies, certain states and other parties which, if implemented, would impose various advertising restrictions on tobacco companies. The Company cannot now predict whether the FDA rules described above will ultimately go into effect or what other actions may eventually be taken to restrict tobacco advertising. However such advertising accounts for only about 1% of Newsweek's operating revenues and negligible revenues at The Washington Post and the Company's other publications. Moreover, Federal law has prohibited the carrying of advertisements for cigarettes or smokeless tobacco by commercial radio and television stations for many years. Thus the Company believes that any restrictions on tobacco advertising which may eventually be put into effect would not have a material adverse effect on Newsweek or on any of the Company's other business operations.

#### POST-NEWSWEEK BUSINESS INFORMATION

Post-Newsweek Business Information, Inc. (formerly TechNews, Inc.), another subsidiary of the Company, publishes controlled-circulation trade periodicals and produces trade shows for the information technology industry.

For several years PNBI has published Washington Technology, a biweekly tabloid newspaper for government information systems integrators with a circulation of about 40,000 copies. During 1997 PNBI launched two new publications: TechCapital, a bimonthly magazine for mid-Atlantic technology entrepreneurs and technology financiers and investors throughout the country; and Integration Management, a biweekly magazine that provides news and analysis for computer systems integrators and their corporate clients. TechCapital and Integration Management have circulations of about 50,000 and 65,000 copies, respectively.

At year-end 1997, PNBI acquired various trade periodical and trade show assets from Reed Elsevier, Inc. Included in this transaction were Government Computer News, a periodical published 32 times a year for managers who buy information technology products and services for use by federal, state or local governments, GCN State & Local, a monthly periodical specifically for information technology buyers for state and local governments, and Reseller Management, a monthly magazine for value-added resellers of information technology products and services. Government Computer News, GCN State & Local and Reseller Management have circulations of about 87,000, 55,000, and 85,000 copies, respectively. Also included in the transaction with Reed Elsevier was FOSE, a trade show held each spring in Washington, D.C. for information technology decision makers in various levels of government as well as information technology executives, and FedNet/FedImaging, a trade show held in the late fall in Washington, D.C. for government personnel with responsibilities for networked computing and related electronic information systems or for imaging technologies.

In December 1997 PNBI also acquired the assets of Newsbytes News Network, a newswire service that electronically distributes almost 100 stories a day about the computer, software and

telecommunications industries to newspapers, magazines, online services and other subscribers around the world.

#### OTHER ACTIVITIES

##### KAPLAN EDUCATIONAL CENTERS

Kaplan Educational Centers, Inc., a subsidiary of the Company, owns the Kaplan Educational Centers, which are engaged in preparing students for a broad range of admissions tests and licensing examinations including SAT's, LSAT's, GMAT's and GRE's, and nursing and medical boards. In 1997 the Kaplan Centers had over 125,000 enrollments and provided courses through more than 150 permanent educational centers located throughout the United States and in Canada, Puerto Rico and London. In addition, Kaplan licenses material for certain of its courses to third parties who in turn offer Kaplan courses in other foreign locations.

Kaplan also owns Score Learning Corporation, which offers computer-based multimedia curricula, individualized tutoring and other learning enrichment services to students in kindergarten through grade twelve. Score's services are being provided in facilities separate from existing Kaplan Centers due to differing configuration and equipment requirements. During 1997 Score served more than 13,000 students and currently operates 37 centers located in California, Massachusetts, Connecticut, New York, and Virginia.

##### DIGITAL INK

The Company's Digital Ink Co. subsidiary develops news and information products for distribution by computers, fax and telephone. Since July 1996 Digital Ink has operated washingtonpost.com, a World Wide Web site on the Internet that features the full editorial text of The Washington Post and most of The Post's classified advertising as well as original content created by Digital Ink's staff and content obtained from other sources. In December 1997 Digital Ink debuted several new city guide features on washingtonpost.com, including an arts and entertainment guide, a community resource guide and an online yellow pages directory, each of which focuses on the metropolitan Washington, D.C. area.

##### LEGI-SLATE

Legi-Slate, Inc., another subsidiary of the Company, provides its customers with access to a computerized database containing detailed information on the legislative and regulatory activities of the United States government. The Legi-Slate database contains both abstracts and the full text of every bill and resolution introduced in Congress, the entire Congressional Record and every document published in the Federal Register. Content compiled by Legi-Slate includes detailed legislative histories, complete voting records and the Daily CFR(TM) service, a daily update of the Code of Federal Regulations. The database also includes relevant editorial material which is both licensed from third parties and produced by Legi-Slate's own editorial staff. State Capital Strategies, Inc., a subsidiary of Legi-Slate, provides customers with online access to a database containing the information necessary to track legislative activity in all 50 states and also offers custom monitoring services.

##### INTERNATIONAL HERALD TRIBUNE

The Company beneficially owns 50% of the outstanding common stock of the International Herald Tribune, S.A.S., a French company which publishes the International Herald Tribune in Paris, France. This English-language newspaper has an average daily paid circulation of almost 195,000 copies and is distributed in over 180 countries.

## COWLES MEDIA COMPANY

A subsidiary of the Company owns approximately 3.9 million shares (equal to about 28%) of the outstanding common stock of Cowles Media Company, most of which was acquired in 1985. Cowles owns the Minneapolis-St. Paul Star Tribune and a number of smaller publications. At special meetings held on March 19, 1998, stockholders of Cowles and of McClatchy Newspapers, Inc. ("McClatchy") approved a series of transactions pursuant to which Cowles will be merged into a subsidiary of a newly created McClatchy holding company ("New McClatchy") and each share of Cowles common stock will be converted into a right to receive (based on elections made by stockholders) either \$90.50 in cash, shares of stock in New McClatchy, or a combination of cash and New McClatchy stock. The Company's subsidiary has submitted an election to be paid in cash for all its Cowles shares. However, depending on the elections made by other Cowles stockholders, such subsidiary may be required to accept up to approximately 15% of the consideration otherwise payable to it in the form of New McClatchy stock. At the present time the Company is unable to predict when these transactions will close and, indeed, no assurance can be given that such a closing will occur or will occur on the terms summarized above.

## MOFFET, LARSON &amp; JOHNSON

The Company owns 80% of the outstanding common stock of Moffet, Larson & Johnson, Inc., a telecommunications engineering firm specializing in the design and development of advanced mobile, broadcast and common carrier radio systems.

## PASS SPORTS

Pro Am Sports System, Inc. ("PASS") is a Detroit-based regional cable sports network that provides programming to cable television subscribers in Michigan and northwest Ohio. On September 29, 1997, a subsidiary of the Company sold substantially all the assets of PASS to Fox Sports Detroit, LLC.

## PRODUCTION AND RAW MATERIALS

The Washington Post is produced at the newspaper's principal place of business and plant in downtown Washington, D.C., and at its satellite printing plants in Fairfax County, Virginia, and Southeast Washington, D.C. The Post is building a new production facility in Prince George's County, Maryland, and is expanding its Fairfax County facility. New press equipment is being installed in both plants and is expected to be fully operational by late 1998 or early 1999. At that time production at the newspaper's two Washington, D.C. facilities will be discontinued.

All editions of The Herald and The Enterprise Newspapers are produced at The Daily Herald Company's plant in Everett, Washington. The Gazette Newspapers are printed at the commercial printing facility acquired by The Gazette Newspapers, Inc. in 1996.

Newsweek's domestic edition is produced by three independent contract printers at five separate plants in the United States; advertising inserts and photo-offset films for the domestic edition are also produced by independent contractors. The international editions of Newsweek are printed in England, Hong Kong, Singapore, Switzerland and Hollywood, Florida; insertions for The Bulletin are printed in Australia. In September 1997 Newsweek and a subsidiary of Time, Inc. formed a jointly owned company which will be based in England and provide production and distribution services for the Atlantic editions of both Newsweek and Time.

All Post-Newsweek Business Information publications are produced by independent contract printers.

In 1997 The Washington Post consumed about 245,000\* tons of newsprint purchased from a number of suppliers, including Bowater Incorporated, which supplied approximately 30% of The Post's 1997 newsprint requirements. About 40% of the newsprint The Post purchases from Bowater Incorporated is provided by Bowater Mersey Paper Company Limited, 49% of the common stock of which is owned by the Company (the majority interest being held by a subsidiary of Bowater Incorporated). Bowater Mersey owns and operates a newsprint mill near Halifax, Nova Scotia, and owns extensive woodlands that provide part of the mill's wood requirements. In 1997 Bowater Mersey produced about 260,000 tons of newsprint.

On December 1, 1997, a subsidiary of the Company sold the 35% limited partnership interests it held in each of Bear Island Paper Company, which owns and operates a newsprint mill in Doswell, Virginia, and Bear Island Timberlands Company, which owns woodlands that supply a portion of the wood used by the Bear Island mill. During 1997 The Post purchased about 20% of its newsprint requirements from Bear Island Paper Company.

The announced price of newsprint (excluding discounts) was approximately \$750 per ton throughout 1997. Discounts from the announced price of newsprint can be substantial and prevailing discounts decreased during the year. The Post believes it has adequate newsprint available through contracts with its various suppliers. About 85% of the newsprint used by The Post includes some recycled content. The Company owns 80% of the stock of Capitol Fiber Inc., which handles and sells to recycling industries old newspapers and other paper collected in Washington, D.C., Maryland and northern Virginia.

In 1997 the operations of The Daily Herald Company and The Gazette Newspapers, Inc. consumed approximately 9,200 and 14,200 tons of newsprint, respectively, which was obtained in each case from various suppliers. Approximately 70% of the newsprint used by The Daily Herald Company and 20% of the newsprint used by The Gazette Newspapers, Inc. includes some recycled content.

The domestic edition of Newsweek consumed about 37,100 tons of paper in 1997, the bulk of which was purchased from eight major suppliers. The current cost of body paper (the principal paper component of the magazine) is approximately \$1,120 per ton.

Over 90% of the aggregate domestic circulation of Newsweek is delivered by second-class mail, most Newsweek subscriptions are solicited by either first- or third-class mail, and all Post-Newsweek Business Information publications are delivered by second-class mail. Thus substantial increases in postal rates for these classes of mail could have a significant negative impact on the operating income of these business units.

#### COMPETITION

The Washington Post competes in the Washington, D.C. metropolitan area with The Washington Times, a newspaper which has published weekday editions since 1982 and Saturday and Sunday editions since 1991. The Post also encounters competition in varying degrees from newspapers published in suburban and outlying areas, other nationally circulated newspapers, and from television, radio, magazines and other advertising media, including direct mail advertising. In February 1997 The New York Times launched a Washington Edition which is printed locally and includes television channel listings and weather for the Washington, D.C. area. The New York Times has been available in retail

\* ALL REFERENCES IN THIS REPORT TO NEWSPRINT TONNAGE AND PRICES REFER TO SHORT TONS (2,000) AND NOT TO METRIC TONS (2,204.6 POUNDS) WHICH ARE OFTEN USED IN NEWSPRINT PRICE QUOTATIONS.

outlets and by home delivery in the Washington, D.C. area for many years, during which time the papers were printed at The Time's New York-area plant and trucked to local distributors.

The Herald circulates principally in Snohomish County, Washington; its chief competitors are the Seattle Times and the Seattle Post-Intelligencer, which are daily and Sunday newspapers published in Seattle and whose Snohomish County circulation is principally in the southwest portion of the county. Since 1983 the two Seattle newspapers have consolidated their business and production operations and combined their Sunday editions pursuant to a joint operating agreement, although they continue to publish separate daily newspapers. The Enterprise Newspapers are distributed in south Snohomish County where their principal competitors are the Seattle Times and The Journal Newspapers, a group of weekly controlled-circulation newspapers. Numerous other weekly and semi-weekly newspapers and shoppers are distributed in The Herald's and The Enterprise Newspapers' principal circulation areas.

The circulation of The Gazette Newspapers is limited to Montgomery and Frederick Counties and parts of Prince George's and Carroll Counties, Maryland (areas where The Washington Post also circulates). The Gazette Newspapers compete in varying degrees with many advertising vehicles available in their service areas, including The Potomac and Bethesda/Chevy Chase Almanacs and The Western Montgomery Bulletin, weekly controlled-circulation community newspapers, The Montgomery Sentinel, a weekly paid-circulation community newspaper, The Prince George's Sentinel, a weekly controlled-circulation community newspaper (which also has a weekly paid-circulation edition), The Montgomery and Prince George's Journals, daily paid-circulation community newspapers, and The Frederick News-Post, a daily paid-circulation community newspaper.

The Company's television stations compete for audiences and advertising revenues with television and radio stations and cable television systems serving the same or nearby areas, with direct broadcast satellite services and to a lesser degree with other media such as newspapers and magazines. Both independent stations and stations affiliated with the Fox Network, the United Paramount Network and the Warner Brothers Network are becoming increasingly competitive, and Paxson Communications Corp. has announced plans to launch a new broadcast network in August 1998 which will reach more than 80% of U.S. television households. Cable television systems operate in substantial portions of the Company's broadcast markets where they compete for television viewing by importing out-of-market television signals and by distributing pay-cable, advertiser-supported and other programming that is originated for cable systems. In addition, direct broadcast satellite or "DBS" services provide nationwide distribution of television programming (including in some cases pay-per-view programming and programming packages unique to DBS) using small receiving dishes and digital transmission technologies. Because they lack a compulsory copyright license that would permit such distributions, DBS operators are effectively prohibited from distributing the signals of any network affiliated television station except in areas where the over-the-air signal of the same network's local affiliate is not available. Several lawsuits were filed in late 1996 which allege that certain DBS operators have not been complying with this restriction; plaintiffs in one or more of these lawsuits include the CBS and Fox television networks and various network affiliated television stations (including one of the Company's Florida stations.) In January 1998, DBS carrier Echostar began offering a service that delivers the signals of local network affiliated stations to unserved households in six U.S. markets. Echostar is seeking changes in existing laws to permit it to offer this service to all subscribers in these markets. A new venture by Capitol Broadcasting also is seeking legislation to permit transmission of local television signals by satellite but intends to carry the signals of all full power television stations in all markets. The transmission of local television signals by DBS services may be advantageous for the local stations included in such offerings but could increase the competition faced by local stations that are not included. The Company's television stations may also become subject to increased competition from low power television stations, wireless cable services, satellite master antenna systems (which can carry pay-cable

and similar program material) and prerecorded video programming. Further, the deployment of high definition and other improved television technologies may enhance the ability of some of these other video providers to compete more effectively for viewers with the local television broadcasting stations owned by the Company.

Cable television systems operate in a highly competitive environment. In addition to competing with the direct reception of television broadcast signals by the viewer's own antenna, such systems (like existing television stations) are subject to competition from various other forms of television program delivery. In particular, DBS services (which are discussed in more detail in the preceding paragraph) have been growing rapidly and are now a significant competitive factor. The Company's cable television systems also compete with wireless cable services in a number of their markets and may face additional competition from such services in the future. Moreover, the Telecommunications Act of 1996 permits telephone companies to own and operate cable television systems in the same areas where they provide telephone services and thus may lead to the provision of competing program delivery services by local telephone companies.

According to figures compiled by Publishers' Information Bureau, Inc., of the 217 magazines reported on by the Bureau, Newsweek ranked fifth in total advertising revenues in 1997, when it received approximately 3.2% of all advertising revenues of the magazines included in the report. The magazine industry is highly competitive both within itself and with other advertising media which compete for audience and advertising revenue.

The publications and trade shows of Post-Newsweek Business Information compete with many other advertising vehicles and sources of similar information. In particular, Government Computer News faces competition from Federal Computer Week, a publication of IDG Communications, and Reseller Management and Integration Management, face competition from IDG's Solutions Integrator, CMP Media's Computer Reseller News and VAR Business, and Ziff-Davis Publishing's Smart Reseller.

Kaplan Educational Centers competes in each of its product lines with a variety of regional and national test preparation businesses, as well as with individual tutors and in-school preparation for standardized tests. Score Learning Corporation competes with other regional and national learning centers, individual tutors and other after school learning activities. Kaplan and Score also compete with books and interactive computer software that focus on one or more of the areas in which these units provide services.

Digital Ink faces competition from many other online services as well as from alternative methods of delivering news and information. In addition, Internet-based and other online services are carrying increasing amounts of advertising and over time such services could adversely affect the Company's print publications and television broadcasting operations, all of which rely on advertising for the majority of their revenues. Several companies are offering online services containing information and advertising tailored for specific metropolitan areas, including the Washington, D.C. metropolitan area. Digital Cities (an 80%-owned subsidiary of America Online) produces Digital-City Washington, which can be accessed by subscribers to the AOL service and is part of AOL's nationwide network of local online sites. During the last 18 months both Microsoft and Yahoo! launched Washington, D.C.-oriented online services. Also, in February 1997 Bell Atlantic began commercial operation of an interactive yellow pages service on the World Wide Web which includes information of local interest as well as a nationwide residential white pages directory and Big Yellow(TM), an electronic directory of 16 million businesses across the United States.

The Company's publications and television broadcasting and cable operations also compete for readers' and viewers' time with various other leisure-time activities.

The future of the Company's various business activities depends on a number of factors, including the general strength of the economy, population growth and the level of economic activity in the particular geographic and other markets it serves, the impact of technological innovations on entertainment, news and information dissemination systems, overall advertising revenues, the relative efficiency of publishing and broadcasting compared to other forms of advertising and, particularly in the case of television broadcasting and cable operations, the extent and nature of government regulations.

#### EXECUTIVE OFFICERS

The executive officers of the Company, each of whom is elected for a one-year term at the meeting of the Board of Directors immediately following the Annual Meeting of Stockholders held in May of each year, are as follows:

Donald E. Graham, age 52, has been Chairman of the Board of the Company since September 1993 and Chief Executive Officer of the Company since May 1991. Mr. Graham served as President of the Company from May 1991 until September 1993 and prior to that had been a Vice President of the Company for more than five years. Mr. Graham also is Publisher of The Washington Post, having occupied that position since 1979.

Alan G. Spoon, age 46, is President and Chief Operating Officer of the Company. Mr. Spoon served as Executive Vice President and Chief Operating Officer of the Company from May 1991 until September 1993 and had previously been a Vice President of the Company since July 1987. Mr. Spoon also served as the Company's Vice President-Finance from July 1987 until November 1989, and as President of Newsweek, Inc. from September 1989 until May 1991.

Katharine Graham, age 80, is Chairman of the Executive Committee of the Company's Board of Directors. Mrs. Graham previously served as Chairman of the Board of the Company from 1973 until September 1993 and as the Company's Chief Executive Officer from 1973 until May 1991.

Diana M. Daniels, age 48, has been Vice President and General Counsel of the Company since November 1988 and Secretary of the Company since September 1991. Ms. Daniels served as General Counsel of the Company from January 1988 to November 1988 and prior to that had been Vice President and General Counsel of Newsweek, Inc. since 1979.

Beverly R. Keil, age 51, has been Vice President-Human Resources of the Company since 1986; from 1982 through 1985 she was the Company's Director of Human Resources.

John B. Morse, Jr., age 51, has been Vice President-Finance of the Company since November 1989. He joined the Company as Vice President and Controller in July 1989, and prior to that had been a partner of Price Waterhouse.

#### EMPLOYEES

The Company and its subsidiaries employ approximately 7,440 persons on a full-time basis.

The Washington Post has approximately 2,770 full-time employees. About 1,910 of The Post's full-time employees and about 405 part-time employees are represented by one or another of nine unions. Collective bargaining agreements are currently in effect with locals of the following unions covering the full-time and part-time employees and expiring on the dates indicated: 1,255 employees in the editorial, newsroom and commercial departments represented by the Communications Workers of America (November 12, 1998); 129 paperhandlers and general workers represented by the Graphic Communications Union (June 1, 2000); 45 machinists represented by the International Association of Machinists (January 13, 2001); 44 photoengravers-plate-makers represented by the Graphic Arts

International Union (February 17, 2001); 29 electricians represented by the International Brotherhood of Electrical Workers (June 17, 2001); 114 building service employees represented by the Service Employees International Union (April 30, 2001); 36 engineers, carpenters and painters represented by the International Union of Operating Engineers (March 31, 2002); and 131 typographers represented by the Communications Workers of America (October 2, 2000). The collective bargaining agreements covering 360 mailers and 170 mailroom helpers represented by the Communications Workers of America expired on June 15, 1997; these employees remain at work under the terms of the expired contracts and negotiations over the terms of replacement contracts are continuing.

Of the approximately 255 full-time and 150 part-time employees at The Daily Herald Company, about 70 full-time and 15 part-time employees are represented by one or another of three unions. The newspaper's collective bargaining agreement with the Graphic Communications International Union, which represents press operators, will expire on March 15, 2000. Its agreement with the International Brotherhood of Teamsters, which represents bundle haulers, will expire on May 31, 1998, and its agreement with the Communications Workers of America, which represents printers and mailers, will expire on October 31, 1998.

Newsweek has approximately 715 full-time employees (including about 170 editorial employees represented by the Communications Workers of America under a collective bargaining agreement which will expire in December 1998).

The Company's broadcasting operations have approximately 975 full-time employees, of whom about 250 are union-represented. Of the eight collective bargaining agreements covering union-represented employees, one has expired and is being renegotiated. Two other collective bargaining agreements will expire in 1998.

The Company's Cable Television Division has approximately 1,110 full-time employees. Kaplan Educational Centers, Inc. and Score Learning Corporation together employ approximately 730 persons on a full-time basis (which number does not include substantial numbers of part-time employees who serve in instructional and clerical capacities). The Gazette Newspapers, Inc. has approximately 290 full-time and 70 part-time employees. Robinson Terminal Warehouse Corporation (the Company's newsprint warehousing and distribution subsidiary), Legi-Slate, State Capital Strategies, Digital Ink, Post-Newsweek Business Information and Moffet, Larson & Johnson each employ fewer than 200 persons. None of these units' employees is represented by a union.

## ITEM 2. PROPERTIES.

The Company owns the publishing plant and principal offices of The Washington Post in downtown Washington, D.C., including both a seven-story building in use since 1950 and a connected nine-story office building on contiguous property completed in 1972 in which are located the Company's principal executive offices. Additionally, the Company owns land on the corner of 15th and L Streets, N.W., in Washington, D.C., adjacent to The Washington Post plant and office building. This land is leased on a long-term basis to the owner of a multi-story office building which was constructed on the site in 1982. The Company rents a number of floors in this building. The Company also owns and occupies a small office building on L Street which is next to The Post's downtown plant.

In 1980 the Company built a satellite printing plant on 13 acres of land owned by the Company in Fairfax County, Virginia, and in 1981 purchased the printing plant of the defunct Washington Star located in Southeast Washington, D.C. In early 1996 the Company purchased a 17-acre tract of undeveloped land in Prince George's County, Maryland, where a new printing and distribution facility for The Post is being constructed. The Company also owns undeveloped land near Dulles Airport in Fairfax

County, Virginia (39 acres), in Prince George's County, Maryland (34 acres). During 1997 the Company sold a 10-acre parcel of undeveloped land it owned in Montgomery County, Maryland.

The Herald owns its plant and office building in Everett, Washington; it also owns two warehouses adjacent to its plant and a small office building in Lynnwood, Washington, that is currently leased to a third party.

The Gazette Newspapers, Inc. owns a two-story brick building that serves as headquarters for The Gazette Newspapers and a separate two-story brick building that houses its commercial printing business. It also owns a one-story brick building that formerly served as its headquarters and is currently leased to a third party. All of these properties are located in Gaithersburg, Maryland. Satellite editorial and sales offices for The Gazette Newspapers are located in leased premises.

The principal offices of Newsweek are located at 251 West 57th Street in New York City, where Newsweek rents space on nine floors. The lease on this space will expire in 2009 but is renewable for a 15-year period at Newsweek's option at rentals to be negotiated or arbitrated. In May 1997, Newsweek sold its Mountain Lakes, N.J. facility to a third party and leased back a portion of this building to house its accounting, production and distribution departments. The lease on this space will expire in 2007 but is renewable for two 5-year periods at Newsweek's option.

The headquarters offices of the Company's broadcasting operations are located in Hartford, Connecticut, where they occupy premises under a lease which expires in 2002. The facilities that house the operations of each of the Company's television stations are all owned by subsidiaries of the Company.

The headquarters offices of the Cable Television Division are currently located in leased premises in Phoenix, Arizona. Later in 1998 such offices will be relocated to a three-story office building in Phoenix which was recently purchased by the Division. The majority of the offices and head-end facilities of the Division's individual cable systems are located in buildings owned by the Division. Substantially all the tower sites used by the Division are leased.

Robinson Terminal Warehouse Corporation owns two wharves and several warehouses in Alexandria, Virginia. These facilities are adjacent to the business district and occupy approximately seven acres of land. Robinson also owns two partially developed tracts of land in Fairfax County, Virginia, aggregating about 22 acres. These tracts are near The Washington Post's existing satellite printing plant and include several warehouses. In 1992 Robinson purchased approximately 23 acres of undeveloped land on the Potomac River in Charles County, Maryland, for the possible construction of additional warehouse capacity.

Kaplan Educational Centers, Inc. owns a six-story building located at 131 West 56th Street in New York City, which serves as the Manhattan Educational Center, and a one-story building in Brooklyn, New York, which houses Kaplan's printing and production facilities. Kaplan's headquarters offices are located at 888 Seventh Avenue in New York City, where Kaplan rents space on three floors under a lease which expires in 2007. All Kaplan educational centers outside of Manhattan and all Score Learning Corporation facilities (including Score's headquarters offices in San Francisco, California) occupy leased premises.

The offices of Legi-Slate and State Capital Strategies are located in Washington, D.C. and Raleigh, North Carolina respectively; and the offices of Digital Ink and Moffet, Larson & Johnson are located in separate facilities in Arlington, Virginia. Post-Newsweek Business Information has its headquarters office in Vienna, Virginia and also maintains office space in Silver Spring, Maryland and Waltham, Massachusetts. The office space for each of these units is leased.

## ITEM 3. LEGAL PROCEEDINGS.

The Company and its subsidiaries are parties to various civil lawsuits that have arisen in the ordinary course of their businesses, including actions for libel and invasion of privacy. Management does not believe that any litigation pending against the Company will have a material adverse effect on its business or financial condition.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

## PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Class B Common Stock is traded on the New York Stock Exchange under the symbol "WPO." The Company's Class A Common Stock is not publicly traded.

The high and low sales prices of the Company's Class B Common Stock during the last two years were:

Quarter -----	1997 -----		1996 -----	
	High ----	Low ---	High ----	Low ---
January - March.....	\$ 361	\$ 325	\$ 300	\$ 278
April - June.....	413	335	324	277
July - September.....	448	400	350	300
October - December.....	491	426	352	325

During 1997 the Company repurchased 846,290 shares of its Class B Common Stock in unsolicited transactions at prices no higher than the last sale price on the New York Stock Exchange. Of the total number of shares repurchased in 1997, 832,250 shares were included in trading volume reported on that year's consolidated tape and accounted for about 33% of such volume.

At February 12, 1998, there were 23 holders of record of the Company's Class A Common Stock and 1,281 holders of record of the Company's Class B Common Stock.

Both classes of the Company's Common Stock participate equally as to dividends. Quarterly dividends were paid at the rate of \$1.20 per share during 1997 and \$1.15 per share during 1996.

## ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1993 through 1997 contained in the table titled "Ten-Year Summary of Selected Historic Financial Data" which is included in this Annual Report on Form 10-K and listed in the index to financial information on page 25 hereof (with only the information for such years to be deemed filed as part of this Annual Report on Form 10-K).

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See the information contained under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition" which is included in this Annual Report on Form 10-K and listed in the index to financial information on page 25 hereof.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the Company's Consolidated Financial Statements at December 28, 1997, and for the periods then ended, together with the report of Price Waterhouse LLP thereon and the information contained in Note N to said Consolidated Financial Statements titled "Summary of Quarterly Operating Results (Unaudited)," which are included in this Annual Report on Form 10-K and listed in the index to financial information on page 25 hereof.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information contained under the heading "Executive Officers" in Item 1 hereof and the information contained under the headings "Nominees for Election by Class A Stockholders," "Nominees for Election by Class B Stockholders" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the Company's 1998 Annual Meeting of Stockholders is incorporated herein by reference thereto.

## ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the headings "Compensation of Directors," "Executive Compensation," "Retirement Plans," "Compensation Committee Report on Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Performance Graph" in the definitive Proxy Statement for the Company's 1998 Annual Meeting of Stockholders is incorporated herein by reference thereto.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information contained under the heading "Stock Holdings of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the Company's 1998 Annual Meeting of Stockholders is incorporated herein by reference thereto.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained under the heading "Certain Transactions" in the definitive Proxy Statement for the Company's 1998 Annual Meeting of Stockholders is incorporated herein by reference thereto.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

## (a) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

## (i) Financial Statements and Financial Statement Schedules

As listed in the index to financial information on page 25 hereof.

## (ii) Exhibits

As listed in the index to exhibits on page 52 hereof.

## (b) REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

## SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) 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, ON MARCH 23, 1998.

THE WASHINGTON POST COMPANY  
(Registrant)

By /s/ John B. Morse, Jr.

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John B. Morse, Jr.  
Vice President-Finance

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED ON MARCH 23, 1998:

Donald E. Graham	Chairman of the Board and Chief Executive Office (Principal Executive Officer) and Director
Alan G. Spoon	President, Chief Operating Officer and Director
Katharine Graham	Chairman of the Executive Committee of the Board and Director
John B. Morse, Jr.	Vice President-Finance (Principal Financial and Accounting Officer)
Warren E. Buffett	Director
Daniel B. Burke	Director
James E. Burke	Director
Martin Cohen	Director
George J. Gillespie, III	Director
Ralph E. Gomory	Director
Donald R. Keough	Director
Barbara Scott Preiskel	Director
William J. Ruane	Director

Richard D. Simmons

Director

George W. Wilson

Director

By /s/ John B. Morse, Jr.

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John B. Morse, Jr.  
Vice President-Finance

An original power of attorney authorizing Donald E. Graham, Alan G. Spoon, Katharine Graham and John B. Morse, Jr., and each of them, to sign all reports required to be filed by the Registrant pursuant to the Securities Exchange Act of 1934 on behalf of the above-named directors and officers has been filed with the Securities and Exchange Commission.

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## INDEX TO FINANCIAL INFORMATION

## THE WASHINGTON POST COMPANY

	PAGE
	----
Financial Statements and Schedules:	
Report of Independent Accountants .....	26
Consolidated Statements of Income for the Three Fiscal Years	
Ended December 28, 1997 .....	27
Consolidated Balance Sheets at December 28, 1997 and December 29, 1996 .....	28
Consolidated Statements of Cash Flows for the Three Fiscal Years	
Ended December 28, 1997 .....	30
Consolidated Statements of Changes in Common Shareholders' Equity for the Three	
Fiscal Years Ended December 28, 1997 .....	31
Notes to Consolidated Financial Statements .....	32
Financial Statement Schedules for the Three Fiscal Years Ended December 28, 1997:	
II - Valuation and Qualifying Accounts .....	44
Management's Discussion and Analysis of Results of Operations and Financial	
Condition (Unaudited) .....	45
Ten-Year Summary of Selected Historical Financial Data (Unaudited) .....	50

All other schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements or the notes thereto referred to above.

## REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and Shareholders of  
The Washington Post Company

In our opinion, the consolidated financial statements, including the financial statement schedule, referred to under Item 14(a)(i) on page 21 and listed in the index on page 25 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at December 28, 1997 and December 29, 1996, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Washington, D.C.  
January 27, 1998

## CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share amounts)	FISCAL YEAR ENDED		
	DECEMBER 28, 1997	DECEMBER 29, 1996	DECEMBER 31, 1995
<b>OPERATING REVENUES</b>			
Advertising .....	\$ 1,236,877	\$ 1,172,706	\$ 1,094,620
Circulation and subscriber .....	519,620	490,973	453,330
Other .....	199,756	189,766	171,499
	<u>1,956,253</u>	<u>1,853,445</u>	<u>1,719,449</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Operating .....	1,019,869	1,007,057	948,088
Selling, general, and administrative .....	449,996	414,280	403,064
Depreciation and amortization of property, plant, and equipment .....	71,478	65,103	65,850
Amortization of goodwill and other intangibles .....	33,559	29,836	31,429
	<u>1,574,902</u>	<u>1,516,276</u>	<u>1,448,431</u>
<b>INCOME FROM OPERATIONS</b> .....	<b>381,351</b>	<b>337,169</b>	<b>271,018</b>
Equity in earnings of affiliates .....	9,955	19,702	24,512
Interest income .....	3,471	5,359	7,974
Interest expense .....	(1,252)	(1,514)	(5,600)
Other income (expense), net .....	69,549	(499)	13,492
	<u>463,074</u>	<u>360,217</u>	<u>311,396</u>
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>463,074</b>	<b>360,217</b>	<b>311,396</b>
<b>PROVISION FOR INCOME TAXES</b> .....	<b>181,500</b>	<b>139,400</b>	<b>121,300</b>
<b>NET INCOME</b> .....	<b>281,574</b>	<b>220,817</b>	<b>190,096</b>
<b>REDEEMABLE PREFERRED STOCK DIVIDENDS</b> .....	<b>(956)</b>	<b>(680)</b>	<b>--</b>
<b>NET INCOME AVAILABLE FOR COMMON SHARES</b> .....	<b>\$ 280,618</b>	<b>\$ 220,137</b>	<b>\$ 190,096</b>
	=====	=====	=====
<b>BASIC EARNINGS PER COMMON SHARE</b> .....	<b>\$ 26.23</b>	<b>\$ 20.08</b>	<b>\$ 17.16</b>
	=====	=====	=====
<b>DILUTED EARNINGS PER COMMON SHARE</b> .....	<b>\$ 26.15</b>	<b>\$ 20.05</b>	<b>\$ 17.15</b>
	=====	=====	=====

The information on pages 32 through 43 is an integral part of the financial statements.

(in thousands, except share amounts)	DECEMBER 28, 1997	DECEMBER 29, 1996
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 21,117	\$ 102,278
Accounts receivable, net .....	244,203	233,063
Inventories .....	19,213	24,427
Other current assets .....	23,959	22,863
	-----	-----
	308,492	382,631
INVESTMENTS IN AFFILIATES .....	154,791	199,278
PROPERTY, PLANT, AND EQUIPMENT		
Buildings .....	188,836	188,527
Machinery, equipment, and fixtures .....	800,435	768,509
Leasehold improvements .....	39,017	28,883
	-----	-----
	1,028,288	985,919
Less accumulated depreciation and amortization .....	(577,445)	(594,195)
	-----	-----
	450,843	391,724
Land .....	33,953	34,332
Construction in progress .....	168,954	85,307
	-----	-----
	653,750	511,363
GOODWILL AND OTHER INTANGIBLES, less accumulated amortization of \$241,308 and \$207,768 .....	679,714	544,349
DEFERRED CHARGES AND OTHER ASSETS .....	280,570	232,790
	-----	-----
	\$ 2,077,317	\$ 1,870,411
	=====	=====

The information on pages 32 through 43 is an integral part of the financial statements.

(in thousands, except share amounts)	DECEMBER 28, 1997	DECEMBER 29, 1996
	-----	-----
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities .....	\$ 213,824	\$ 194,186
Federal and state income taxes .....	18,352	5,381
Deferred subscription revenue .....	80,186	82,069
Short-term borrowings .....	296,394	--
	-----	-----
	608,756	281,636
<b>OTHER LIABILITIES</b> .....	241,234	223,878
<b>DEFERRED INCOME TAXES</b> .....	31,306	30,147
	-----	-----
	881,296	535,661
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>REDEEMABLE PREFERRED STOCK, Series A, \$1 par value, with a redemption and liquidation value of \$1,000 per share; 23,000 shares authorized; 11,947 shares issued and outstanding</b> .....	11,947	11,947
<b>PREFERRED STOCK, \$1 par value; 977,000 shares authorized</b> .....	--	--
<b>COMMON SHAREHOLDERS' EQUITY</b>		
Common stock		
Class A common stock, \$1 par value; 7,000,000 shares authorized; 1,739,250 and 1,779,250 shares issued and outstanding .....	1,739	1,779
Class B common stock, \$1 par value; 40,000,000 shares authorized; 18,260,750 and 18,220,750 shares issued; 8,349,962 and 9,131,165 shares outstanding .....	18,261	18,221
Capital in excess of par value .....	33,415	26,455
Retained earnings .....	2,231,341	2,002,359
Cumulative foreign currency translation adjustment .....	(464)	4,663
Unrealized gain on available-for-sale securities (net of taxes) .....	31	3,155
Cost of 9,910,913 and 9,089,585 shares of Class B common stock held in treasury .....	(1,100,249)	(733,829)
	-----	-----
	1,184,074	1,322,803
	-----	-----
	\$ 2,077,317	\$ 1,870,411
	=====	=====

The information on pages 32 through 43 is an integral part of the financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Fiscal year ended		
	DECEMBER 28, 1997	DECEMBER 29, 1996	DECEMBER 31, 1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 281,574	\$ 220,817	\$ 190,096
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant, and equipment .....	71,478	65,103	65,850
Amortization of goodwill and other intangibles .....	33,559	29,836	31,429
Gain from disposition of businesses, net .....	(44,560)	(3,112)	(1,341)
Equity in earnings of affiliates, net of distributions .....	(6,996)	(11,099)	(18,090)
Provision for deferred income taxes .....	3,089	(4,273)	5,408
Change in assets and liabilities:			
Increase in accounts receivable, net .....	(8,438)	(31,444)	(25,579)
Decrease (increase) in inventories .....	5,214	2,339	(6,388)
Increase (decrease) in accounts payable and accrued liabilities .....	19,638	26,923	(15,507)
(Decrease) increase in income taxes payable .....	(13,709)	1,887	(3,099)
(Increase) decrease in other assets and other liabilities, net .....	(27,537)	(19,635)	13,074
Other .....	6,785	10,093	10,605
Net cash provided by operating activities .....	320,097	287,435	246,458
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net proceeds from sale of businesses .....	120,208	3,517	32,743
Purchases of property, plant, and equipment .....	(214,573)	(79,981)	(121,697)
Purchases of marketable debt securities .....	--	--	(55,649)
Maturities and sales of marketable debt securities .....	--	12,821	67,453
Investments in certain businesses .....	(178,943)	(147,471)	(1,757)
Other .....	(3,187)	784	552
Net cash used in investing activities .....	(276,495)	(210,330)	(78,355)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Principal payments on debt .....	--	(50,209)	--
Net short-term borrowings .....	296,394	--	--
Issuance of redeemable preferred stock .....	--	11,947	--
Dividends paid .....	(52,592)	(51,164)	(48,887)
Common shares repurchased .....	(368,565)	(32,302)	(89,584)
Net cash used in financing activities .....	(124,763)	(121,728)	(138,471)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS .....	(81,161)	(44,623)	29,632
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR .....	102,278	146,901	117,269
CASH AND CASH EQUIVALENTS AT END OF YEAR .....	\$ 21,117	\$ 102,278	\$ 146,901
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Cash paid during the year for:			
Income taxes .....	\$ 164,000	\$ 142,000	\$ 122,000
Interest .....	\$ 350	\$ 5,115	\$ 5,102

The information on pages 32 through 43 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES  
IN COMMON SHAREHOLDERS' EQUITY

(in thousands, except share amounts)	CLASS A COMMON STOCK	CLASS B COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN ON AVAILABLE- FOR-SALE SECURITIES	TREASURY STOCK
Balance, January 1, 1995.....	\$1,843	\$18,157	\$21,273	\$1,691,497	\$5,328	\$2,933	\$ (614,098)
Net income for the year.....				190,096			
Dividends paid on common stock -- \$4.40 per share.....				(48,887)			
Repurchase of 361,106 shares of Class B common stock.....							(89,584)
Issuance of 20,465 shares of Class B common stock, net of restricted stock award forfeitures			3,403				1,478
Change in foreign currency translation adjustment.....					209		
Change in unrealized gain on available-for-sale securities (net of taxes).....						291	
Conversion of Class A common stock to Class B common stock.....	(39)	39					
Other.....			265				
Balance, December 31, 1995.....	1,804	18,196	24,941	1,832,706	5,537	3,224	(702,204)
Net income for the year.....				220,817			
Dividends paid on common stock -- \$4.60 per share.....				(50,484)			
Dividends paid on redeemable preferred stock....				(680)			
Repurchase of 103,642 shares of Class B common stock.....							(32,302)
Issuance of 8,644 shares of Class B common stock, net of restricted stock award forfeitures			1,173				677
Change in foreign currency translation adjustment.....					(874)		
Change in unrealized gain on available-for-sale securities (net of taxes).....						(69)	
Conversion of Class A common stock to Class B common stock.....	(25)	25					
Other.....			341				
Balance, December 29, 1996.....	1,779	18,221	26,455	2,002,359	4,663	3,155	(733,829)
Net income for the year.....				281,574			
Dividends paid on common stock -- \$4.80 per share.....				(51,636)			
Dividends paid on redeemable preferred stock....				(956)			
Repurchase of 846,290 shares of Class B common stock.....							(368,565)
Issuance of 24,962 shares of Class B common stock, net of restricted stock award forfeitures			6,025				2,145
Change in foreign currency translation adjustment.....					(5,127)		
Change in unrealized gain on available-for-sale securities (net of taxes).....						(3,124)	
Conversion of Class A common stock to Class B common stock.....	(40)	40					
Other.....			935				
Balance, December 28, 1997.....	\$1,739	\$18,261	\$33,415	\$2,231,341	\$(464)	\$ 31	\$(1,100,249)

The information on pages 32 through 43 is an integral part of the financial statements.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Post Company (the company) operates principally in four areas of the media business: newspaper publishing, television broadcasting, magazine publishing, and cable television. Segment data is set forth in Note M.

**FISCAL YEAR.** The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal years 1997, 1996, and 1995, which ended December 28, 1997, December 29, 1996, and December 31, 1995, respectively, included 52 weeks. With the exception of the newspaper publishing operations, subsidiaries of the company report on a calendar-year basis.

**PRINCIPLES OF CONSOLIDATION.** The accompanying financial statements include the accounts of the company and its subsidiaries; significant intercompany transactions have been eliminated.

**USE OF ESTIMATES.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

**CASH EQUIVALENTS.** Short-term investments with original maturities of 90 days or less are considered cash equivalents.

**INVESTMENTS IN MARKETABLE SECURITIES.** Investments in marketable equity securities available for sale are classified in "Deferred charges and other assets" in the Consolidated Balance Sheets. Unrealized gains or losses (net of taxes) relating to such investments are reported separately in the "Unrealized gain on available-for-sale securities (net of taxes)" in the Consolidated Balance Sheets.

**INVENTORIES.** Inventories are valued at the lower of cost or market. Cost of newsprint is determined by the first-in, first-out method, and cost of magazine paper is determined by the specific-cost method.

**INVESTMENTS IN AFFILIATES.** The company uses the equity method of accounting for its investments in and earnings or losses of affiliates.

**PROPERTY, PLANT, AND EQUIPMENT.** Property, plant, and equipment is recorded at cost and includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to operations as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant, and equipment: 3 to 12 years for machinery and equipment, and 20 to 50 years for buildings. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

**GOODWILL AND OTHER INTANGIBLES.** Goodwill and other intangibles represent the unamortized excess of the cost of acquiring subsidiary companies over the fair values of such companies' net tangible assets at the dates of acquisition. Goodwill and other intangibles are being amortized by use of the straight-line method over various periods up to 40 years.

**LONG-LIVED ASSETS.** The recoverability of long-lived assets, including goodwill and other intangibles, is assessed annually or whenever adverse events and changes in circumstances indicate that previously anticipated undiscounted cash flows warrant assessment.

**PROGRAM RIGHTS.** The broadcast subsidiaries are parties to agreements that entitle them to show syndicated and other programs on television. The cost of such program rights is recognized as the gross amount of the related liability when the programs are available for broadcasting. The cost is charged to operations using accelerated and straight-line rates that appropriately match the cost of programming with associated revenues. The unamortized cost of such rights and the liability for future payments under these agreements are included in the Consolidated Balance Sheets.

**DEFERRED SUBSCRIPTION REVENUE AND MAGAZINE SUBSCRIPTION PROCUREMENT COSTS.** Deferred subscription revenue, which primarily represents amounts received from customers in advance of magazine and newspaper deliveries, is included in revenues over the subscription term. Deferred subscription revenue to be earned after one year is included in "Other liabilities" in the Consolidated Balance Sheets. Magazine subscription procurement costs are charged to operations as incurred.

**INCOME TAXES.** The provision for income taxes is determined using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities.

**FOREIGN CURRENCY TRANSLATION.** Gains and losses on foreign currency transactions and the translation of the accounts of the company's foreign operations where the U.S. dollar is the functional currency are recognized currently in the Consolidated Statements of Income. Gains and losses on translation of the accounts of the company's foreign operations where the local currency is the functional currency and the company's equity investments in its foreign affiliates are accumulated and reported separately in the "Cumulative foreign currency translation adjustment" in the Consolidated Balance Sheets.

**POSTRETIREMENT BENEFITS OTHER THAN PENSIONS.** The company provides certain health care and life insurance benefits for retired employees. The expected cost of providing these postretirement benefits is accrued over the years that employees



STOCK-BASED COMPENSATION. The company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Pro forma disclosures of net income and earnings per share as if the fair-value based method prescribed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" had been applied in measuring compensation expense are provided in Note G.

EARNINGS PER SHARE. In 1997, the company adopted SFAS No. 128, "Earnings per Share," which requires the presentation of both basic and diluted earnings per share data for fiscal 1997 and all prior fiscal periods.

FAIR VALUE OF FINANCIAL INSTRUMENTS. The carrying amount of the company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short-term borrowings approximates fair value because of the short maturity of those instruments.

#### B. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable at December 28, 1997, and December 29, 1996, consist of the following (in thousands):

	1997	1996
	-----	-----
Accounts receivable, less estimated returns, doubtful accounts and allowances of \$49,706 and \$48,388.....	\$229,782	\$220,168
Other.....	14,421	12,895
	-----	-----
	\$244,203	\$233,063
	=====	=====

Accounts payable and accrued liabilities at December 28, 1997, and December 29, 1996, consist of the following (in thousands):

	1997	1996
	-----	-----
Accounts payable and accrued expenses.....	\$136,368	\$121,485
Accrued payroll and related benefits	48,115	41,083
Deferred tuition revenue.....	20,988	18,299
Due to affiliates (newsprint).....	8,353	13,319
	-----	-----
	\$213,824	\$194,186
	=====	=====

#### C. INVESTMENTS IN AFFILIATES

The company's investments in affiliates at December 28, 1997, and December 29, 1996, include the following (in thousands):

	1997	1996
	-----	-----
Cowles Media Company.....	\$ 91,904	\$ 86,087
Newsprint mills.....	39,995	87,122
Other.....	22,892	26,069
	-----	-----
	\$154,791	\$199,278
	=====	=====

The company's investments in affiliates include a 28 percent interest in the stock of Cowles Media Company (Cowles), which owns and operates the Minneapolis Star Tribune and several other smaller properties.

At December 28, 1997 and December 29, 1996, the company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia. At December 29, 1996, the company's interest in newsprint mills also includes a 35 percent limited partnership interest in both Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia, and Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements (collectively "Bear Island"). In December 1997, the company sold its interest in Bear Island for approximately \$92,800,000 (see Note K). Operating costs and expenses of the company include newsprint supplied by Bowater, Inc. (parent to Bowater Mersey Paper Company), and Bear Island Paper Company, the cost of which was approximately \$63,800,000 in 1997, \$67,200,000 in 1996, and \$73,600,000 in 1995.

The company's other affiliate investments represent a 50 percent common stock interest in the International Herald Tribune newspaper, published near Paris, France, and a 50 percent common stock interest in the Los



Summarized financial data for the affiliates' operations, excluding Bear Island financial position data at December 28, 1997 and including Bear Island's results of operations through the date of sale, are as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
<b>Financial Position</b>			
Working capital.....	\$(41,614)	\$(31,042)	\$(82,505)
<b>Property, plant, and equipment.....</b>			
	237,864	411,644	415,874
Total assets.....	586,842	788,024	791,748
Long-term debt.....	84,593	158,999	165,284
Net equity.....	211,024	304,828	265,918
<b>Results of Operations</b>			
Operating revenues.....	\$879,884	\$918,148	\$904,482
Operating income.....	88,110	115,738	120,843
Net income.....	49,273	68,918	69,070

The following table summarizes the status and results of the company's investments in affiliates (in thousands):

	1997	1996
	-----	-----
Beginning investment.....	\$199,278	\$189,053
Equity in earnings.....	9,955	19,702
Dividends and distributions received.....	(2,959)	(8,603)
Foreign currency translation.....	(5,128)	(874)
Sale of interest in Bear Island.....	(46,355)	--
Ending investment.....	\$154,791	\$199,278
	=====	=====

At December 28, 1997, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the dates of acquisition was approximately \$76,000,000. Amortization included in "Equity in earnings of affiliates" in the Consolidated Statements of Income was approximately \$2,500,000 for the year ended December 28, 1997, and \$2,600,000 for the years ended December 29, 1996, and December 31, 1995.

In November 1997, the management of Cowles and McClatchy Newspapers, Inc., announced that shareholders representing a majority of each of the respective companies' outstanding voting shares have agreed to vote to approve a series of transactions whereby Cowles and McClatchy will be merged into a newly created company (New McClatchy). Under the terms of the proposed merger, each share of Cowles stock will be converted into a right to receive (based on elections made by Cowles stockholders) either \$90.50 in cash or shares of stock in New McClatchy, or a combination of cash and New McClatchy stock. The company owns 3,893,796 shares of Cowles stock and intends to submit an election requesting to be paid in cash for all of its shares. However, depending on the elections made by other Cowles stockholders, the company may be required to accept up to approximately 15 percent of the consideration otherwise payable to it in the form of New McClatchy stock. At December 28, 1997, the carrying value of the company's investment in Cowles approximated \$91,900,000. If and when the merger described above is completed, the company will adjust the carrying value of such investment and record the corresponding gain.

#### D. INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	Current	Deferred
	-----	-----
<b>1997</b>		
U.S. Federal.....	\$149,003	\$ 2,210
Foreign.....	915	(165)
State and local.....	28,493	1,044
	\$178,411	\$ 3,089
	=====	=====
<b>1996</b>		
U.S. Federal.....	\$120,612	\$(3,575)
Foreign.....	718	598
State and local.....	22,343	(1,296)
	\$143,673	\$(4,273)
	=====	=====
<b>1995</b>		
U.S. Federal.....	\$ 96,630	\$ 3,525
Foreign.....	608	1,215

State and local.....	18,654	668
	-----	-----
	\$115,892	\$ 5,408
	=====	=====

The provision for income taxes exceeds the amount of income tax determined by applying the U.S. Federal statutory rate of 35 percent to income before taxes as a result of the following (in thousands):

	1997	1996	1995
	-----	-----	-----
U.S. Federal statutory taxes .....	\$ 162,076	\$ 126,076	\$ 108,989
State and local taxes net of U.S. Federal income tax benefit ...	19,199	13,681	12,559
Amortization of goodwill not deductible for income tax purposes...	2,492	2,336	2,373
Other, net .....	(2,267)	(2,693)	(2,621)
	-----	-----	-----
Provision for income taxes .....	\$ 181,500	\$ 139,400	\$ 121,300
	=====	=====	=====

Deferred income taxes at December 28, 1997, December 29, 1996, and December 31, 1995, consist of the following (in thousands):

	1997	1996	1995
	-----	-----	-----
Accrued postretirement benefits.....	\$ 51,076	\$ 49,363	\$ 47,167
Other benefit obligations..	34,358	26,634	20,963
Accounts receivable.....	9,127	8,399	6,765
Other.....	8,319	12,373	9,134
	-----	-----	-----
Deferred tax asset.....	102,880	96,769	84,029
	-----	-----	-----
Property, plant, and equipment.....	40,498	39,248	42,159
Prepaid pension cost.....	79,978	65,300	55,574
Affiliate operations.....	7,645	14,977	14,165
Investment tax credit.....	813	1,589	2,301
Other.....	5,252	5,802	4,473
	-----	-----	-----
Deferred tax liability.....	134,186	126,916	118,672
	-----	-----	-----
Deferred income taxes.....	\$ 31,306	\$ 30,147	\$ 34,643
	=====	=====	=====

#### E. DEBT

In 1996, the company established a five-year, \$300,000,000 revolving credit facility to provide for direct borrowings and also support the issuance of short-term promissory notes. Under the terms of the credit agreement, interest on borrowings is at floating rates (average outstanding rate of 5.8 percent at December 28, 1997), and the company is required to pay a facility fee of .07 percent on used and unused portions of the facility. The agreement also contains certain covenants, including a financial covenant that requires the company to maintain common shareholders' equity of \$850,000,000. At December 28, 1997 and December 29, 1996, there were approximately \$296,394,000 and zero borrowings outstanding under the facility, respectively, and the company was in compliance with all covenants. Interest expense incurred under the revolving credit facility was approximately \$552,000 and zero during 1997 and 1996, respectively.

In the first quarter of 1996, the company retired approximately \$50,222,000 in debt outstanding, the only long-term debt then outstanding, bearing interest at 10.1 percent.

#### F. REDEEMABLE PREFERRED STOCK

In connection with the acquisition of a cable television system during the first quarter of 1996, the company issued 11,947 shares of its Series A Preferred Stock and agreed to issue an additional 1,282 shares of such stock on February 23, 2000 (which additional number of shares is subject to reduction in the event of any breach of the representations and warranties made by the seller in the acquisition agreement).

The Series A Preferred Stock has a par value of \$1.00 per share and a liquidation preference of \$1,000 per share; it is redeemable by the company at any time on or after October 1, 2015 at a redemption price of \$1,000 per share. In addition, the holders of such stock have a right to require the company to purchase their shares at the redemption price during an annual 60-day election period, with the first such period beginning on February 23, 2001. Dividends on the Series A Preferred Stock are payable four times a year at the annual rate of \$80.00 per share and in preference to any dividends on the company's common stock. The Series A Preferred Stock is not convertible into any other security of the company, and the holders thereof have no voting rights except with respect to any proposed changes in the preferences and special rights of such stock.

#### G. CAPITAL STOCK, STOCK AWARDS, AND STOCK OPTIONS

Capital Stock. Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30 percent of the Board of Directors; the Class A stock has unlimited voting rights including the right to elect a majority of the Board of Directors.

During 1997, 1996, and 1995, the company purchased a total of 846,290, 103,642 and 361,106 shares, respectively, of its Class B common stock at a cost of approximately \$368,565,000, \$32,302,000, and \$89,584,000.

Stock Awards. In 1982, the company adopted a Long-Term Incentive Compensation Plan that, among other provisions, authorizes the awarding of Class B common stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. At December 28, 1997, there were 107,966 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 34,331 shares were subject to awards outstanding, and

73,635 shares were available for future awards. Activity related to stock awards for the years ended December 28, 1997, December 29, 1996, and December 31, 1995 was as follows:

	1997		1996		1995	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price	Number of Shares	Average Award Price
Awards Outstanding						
Beginning of year..	30,490	\$ 237.83	31,378	\$ 237.85	26,860	\$ 214.79
Awarded .....	20,285	351.68	64	313.88	17,753	244.90
Vested .....	(13,521)	228.96	--	--	(12,472)	198.50
Forfeited .....	(2,923)	285.35	(952)	243.61	(763)	233.23
End of year .....	34,331	\$ 281.19	30,490	\$ 237.83	31,378	\$ 237.85

For the share awards outstanding at December 28, 1997, the aforementioned restriction will lapse in January 1999 for 15,321 shares, January 2001 for 18,010 shares, and January 2004 for 1,000 shares. Stock-based compensation costs resulting from stock awards reduced net income by \$1.2 million (\$0.11 per share, basic and diluted), \$1.1 million (\$0.10 per share, basic and diluted), and \$1.1 million (\$0.10 per share, basic and diluted) in 1997, 1996, and 1995, respectively.

Stock Options. The Employee Stock Option Plan, which was adopted in 1971 and amended in 1993, reserves 1,900,000 shares of the company's Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option cannot be less than the fair value on the granting date. At December 28, 1997, there were 642,475 shares reserved for issuance under the Stock Option Plan, of which 251,225 shares were subject to options outstanding and 391,250 shares were available for future grants.

Changes in options outstanding for the years ended December 28, 1997, December 29, 1996, and December 31, 1995 were as follows:

	1997		1996		1995	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year..	178,625	\$ 270.21	168,525	\$ 258.59	164,500	\$ 255.35
Granted .....	80,200	583.62	19,500	343.94	9,000	298.75
Exercised .....	(7,600)	234.20	(9,400)	214.89	(3,475)	204.81
Canceled .....	--	--	--	--	(1,500)	268.50
End of year .....	251,225	\$ 371.35	178,625	\$ 270.21	168,525	\$ 258.59

Of the shares covered by options outstanding at the end of 1997, 133,900 are now exercisable, 21,425 will become exercisable in 1998, 68,425 will become exercisable in 1999, 16,175 will become exercisable in 2000, and 11,300 will become exercisable in 2001.

Information related to stock options outstanding at December 28, 1997 is as follows:

Range of exercise prices	Number outstanding at 12/28/97	Weighted average remaining contractual life (yrs.)	Weighted average exercise price	Number exercisable at 12/28/97	Weighted average exercise price
\$173 - 200	22,900	1.8	\$192.00	22,900	\$192.00
205 - 319	128,625	4.4	275.08	71,125	244.44
343 - 350	21,000	9.1	344.35	4,875	343.94
472	43,700	10.0	472.00	-	-
733	35,000	10.0	733.00	35,000	733.00

All options were granted at an exercise price equal to or greater than the fair market value of the company's common stock at the date of grant. The weighted-average fair value at date of grant for options granted during 1997, 1996, and 1995 was \$87.94, \$96.53 and \$77.12, respectively. The fair value of options at date of grant was estimated using the Black-Scholes method with the following assumptions:

1997	1996	1995
----	----	----

Expected life (years)..	7	7	7
Interest rate .....	5.84%	6.26%	5.61%
Volatility .....	14.2 %	14.6 %	14.3 %
Dividend yield .....	1.5 %	1.5 %	1.5 %

Had the fair values of options granted in 1997, 1996, and 1995 been recognized as compensation expense, net income would have been reduced by \$1.6 million (\$.15 per share, basic and diluted), \$0.4 million (\$.04 per share, basic and diluted) and \$0.1 million (\$.01 per share, basic and diluted), in 1997, 1996, and 1995, respectively.

Average Number of Shares Outstanding. Basic earnings per share are based on the weighted average number of shares of common stock outstanding during each year. Diluted earnings per common share are based upon the weighted average number of shares of common stock outstanding each year, adjusted for the dilutive effect of shares issuable under outstanding stock options. Basic and diluted weighted average share information for 1997, 1996, and 1995 is as follows:

	Basic Weighted Average Shares -----	Dilutive Effect of Stock Options -----	Diluted Weighted Average Shares -----
1997.....	10,699,713	33,278	10,732,991
1996.....	10,963,761	16,036	10,979,797
1995.....	11,074,978	10,537	11,085,515

## H. RETIREMENT PLANS

The company and its subsidiaries have various funded and unfunded pension and incentive savings plans and in addition, contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees, including some located in foreign countries, are covered by these plans. Pension benefit for all retirement plans combined was \$12,200,000, \$3,900,000, and \$600,000 in 1997, 1996, and 1995, respectively.

The costs for the company's defined benefit pension plans are actuarially determined and include amortization of prior service costs over various periods, generally not exceeding 20 years. The company's policy is to fund the costs accrued for its defined benefit plans.

The following table sets forth the funded status of the defined benefit plans and amounts recognized in "Deferred charges and other assets" in the Consolidated Balance Sheets at December 28, 1997, and December 29, 1996 (in thousands):

	1997 -----	1996 -----
Actuarial present value of accumulated plan benefits, including vested benefits of \$232,385 and \$212,158 .....	\$ 240,414 =====	\$ 219,154 =====
Plan assets at fair value, primarily listed securities .....	\$ 1,014,531	\$ 731,999
Projected benefit obligation for service rendered to date .....	(284,278) -----	(261,266) -----
Plan assets in excess of projected benefit obligation .....	730,253	470,733
Prior service cost not yet recognized in periodic pension cost .....	14,824	15,987
Less unrecognized net gain from past experience different from that assumed .....	(512,669)	(277,049)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years .....	(38,271) -----	(45,937) -----
Prepaid pension cost .....	\$ 194,137 =====	\$ 163,734 =====

The net pension benefit for the years ended December 28, 1997, December 29, 1996, and December 31, 1995, consists of the following components (in thousands):

	1997 -----	1996 -----	1995 -----
Service cost for benefits earned during the period .....	\$ 10,567	\$ 10,373	\$ 10,623
Interest cost on projected benefit obligation ....	19,433	17,741	15,430
Actual return on plan assets .....	(294,212)	(129,756)	(162,253)
Net amortization and deferral .....	233,985	78,373	116,812
Net pension benefit .....	\$ (30,227) =====	\$ (23,269) =====	\$ (19,388) =====

The weighted average discount rate of 7.5 percent and rate of increase in future compensation levels of 4 percent were used in determining the actuarial present value of the projected benefit obligation in 1997, 1996, and 1995. The expected long-term rate of return on assets was 9 percent in 1997, 1996, and 1995.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to \$2,000,000 in 1997, \$1,700,000 in 1996, and \$1,800,000 in 1995.

The costs of unfunded retirement plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other liabilities" in the Consolidated Balance Sheets, was \$54,235,000 at December 28, 1997, and \$51,600,000 at December 29, 1996.

## I. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The company and its subsidiaries provide health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting minimum age and service requirements.

The following table sets forth the amounts included in "Other liabilities" in the Consolidated Balance Sheets at December 28, 1997, and December 29, 1996 (in thousands):

	1997	1996
	-----	-----
Accumulated postretirement benefit obligation:		
Retirees .....	\$ 50,213	\$ 49,806
Fully eligible active plan participants .....	16,937	7,828
Other active plan participants .....	34,105	36,125
	-----	-----
	101,255	93,759
Unrecognized prior service costs arising from plan amendments .....	3,744	4,123
Unrecognized net gain from past experience different from that assumed .....	12,968	15,911
	-----	-----
Accrued postretirement benefit cost .....	\$117,967	\$113,793
	=====	=====

Net periodic postretirement benefit cost for 1997, 1996, and 1995 includes the following components (in thousands):

	1997	1996	1995
	-----	-----	-----
Service cost for benefits earned during the period	\$ 3,511	\$ 2,939	\$ 2,719
Interest cost on accumulated post-retirement benefit obligation .....	6,973	6,546	6,515
Amortization of prior service costs .....	(378)	(290)	(290)
Amortization of gains .....	(1,576)	(909)	(1,296)
	-----	-----	-----
Net periodic postretirement benefit cost .....	\$ 8,530	\$ 8,286	\$ 7,648
	=====	=====	=====

The assumed health care cost trend rate used in measuring the benefit obligation at December 28, 1997 was 10.8 percent for pre-age 65 benefits (10.3% for post-age 65 benefits) decreasing to 5.5 percent in the year 2015 and thereafter. The discount rate used in determining the benefit obligation at December 28, 1997 and December 29, 1996 was 7.5 percent.

The effect on the accumulated postretirement benefit obligation of a 1 percent increase each year in the health care cost trend rate used would result in increases of approximately \$11,800,000 in the obligation at December 28, 1997 and \$1,500,000 in the aggregate service and interest components of the 1997 expense.

The company's policy is to fund the above-mentioned benefits as claims and premiums are paid. The cash expenditures for postretirement benefits were approximately \$3,700,000 in 1997, \$3,850,000 in 1996, and \$2,980,000 in 1995.

## J. LEASE AND OTHER COMMITMENTS

The company leases primarily real property under operating agreements. Many of the leases contain renewal options and escalation clauses that require payments of additional rent to the extent of increases in the related operating costs.

At December 28, 1997, future minimum rental payments under noncancelable operating leases approximate the following (in thousands):

1998.....	\$ 25,300
1999.....	23,300
2000.....	19,600
2001.....	15,300
2002.....	11,900
Thereafter.....	50,100
	-----
	\$145,500
	=====

Minimum payments have not been reduced by minimum sublease rentals of

\$3,300,000 due in the future under noncancelable subleases.

Rent expense under operating leases included in operating costs and expenses was approximately \$27,800,000, \$24,900,000, and \$22,900,000 in 1997, 1996, and 1995, respectively. Sublease income was approximately \$400,000, \$800,000, and \$1,600,000 in 1997, 1996, and 1995, respectively.

The company's broadcast subsidiaries are parties to certain agreements that commit them to purchase programming to be produced in future years. At December 28, 1997, such commitments amounted to approximately \$55,500,000. If such programs are not produced, the company's commitment would expire without obligation.

In conjunction with the construction of new newspaper production facilities in the Washington, D.C. area, the company has entered into certain commitments to purchase plant and equipment. As of December 28, 1997, the open commitments relating to this project were approximately \$89,000,000. The company expects this project to be completed in late 1998.

## K. ACQUISITIONS AND DISPOSITIONS

Acquisitions. In February 1997, the company acquired cable systems serving approximately 16,000 subscribers in Cleveland, Mississippi. In December 1997, the company acquired the publishing rights to two computer services industry trade periodicals and the rights to conduct two computer industry trade shows. The aggregate purchase price for these acquisitions approximated \$108,400,000.

In January and February 1996, the company acquired cable systems in Texarkana and Columbus, Missouri serving approximately 39,700 subscribers. In August 1996, the company acquired cable systems in Prescott, Arizona serving approximately 26,300 subscribers. The aggregate purchase price for these acquisitions approximated \$129,000,000.

The company also spent \$10,500,000 and \$18,500,000 in 1997 and 1996, respectively, for other smaller business acquisitions.

All acquisitions discussed above were accounted for using the purchase method and, accordingly, the assets and liabilities of the companies acquired have been recorded at their estimated fair values at the date of acquisition. The excess of the cost over the fair value of net assets acquired is being amortized over periods from 15 to 20 years. Pro forma results of operations for 1997, 1996, and 1995, assuming the acquisitions occurred at the beginning of 1995, are not materially different from reported results of operations.

Exchanges. In June 1997, the company exchanged the assets of certain cable systems with Tele-Communications, Inc. This trade resulted in an increase of about 21,000 subscribers for the company.

In September 1997, the company completed a transaction with Meredith Corporation whereby the company exchanged the assets of WFSB-TV, the CBS affiliate in Hartford, Connecticut and approximately \$60,000,000 for the assets of WCPX-TV, the CBS affiliate in Orlando, Florida.

The assets obtained in these transactions were recorded at the carrying value of the assets exchanged plus cash consideration. No gain or loss resulted from these exchange transactions.

Dispositions. In September 1997, the company sold the assets of its PASS Sports subsidiary for approximately \$27,400,000. In December 1997, the company sold its 35 percent limited partnership interest in both Bear Island Paper Company and Bear Island Timberlands Company for approximately \$92,800,000. The gains resulting from these dispositions, which are included in "Other income (expense), net" in the Consolidated Statements of Income, increased 1997 net income by approximately \$44,560,000 and basic and diluted earnings per share by \$4.16 and \$4.15, respectively.

In January 1995, the company sold substantially all of its 70 percent limited partnership interest in American Personal Communications (APC) to its partner, APC, Inc., and others, for approximately \$33,000,000. The resulting gain, which is included in "Other income (expense), net" in the Consolidated Statements of Income, increased 1995 net income by \$8,400,000 and basic and diluted earnings per share by \$0.75.

In September 1995, the company wrote off its investment in Mammoth Micro Productions, a producer and publisher of multimedia CD-ROM titles, originally acquired in 1994 for approximately \$23,000,000. The loss resulting from the write-off, which is included in "Operating costs and expenses" in the Consolidated Statements of Income, decreased 1995 net income by approximately \$5,600,000 and basic and diluted earnings per share by \$0.51.

## L. CONTINGENCIES

The company and its subsidiaries are parties to various civil lawsuits that have arisen in the ordinary course of their businesses, including actions for libel and invasion of privacy. Management does not believe that any litigation pending against the company will have a material adverse effect on its business or financial condition.

## M. BUSINESS SEGMENTS

The company operates principally in four areas of the media business: newspaper publishing, television broadcasting, magazine publishing, and cable television.

Newspaper operations involve the publication of newspapers in the Washington, D.C. area and Everett, Washington, and newsprint warehousing and recycling facilities.

Broadcast operations are conducted primarily through six VHF television stations. All stations are network-affiliated, with revenues derived primarily from sales of advertising time.

Magazine operations consist of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions, and beginning in 1997, the publication of six business periodicals for the computer services industry and the Washington-area technology community. Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to approximately 637,000 subscribers in 16 midwestern, western, and southern states. The principal source of revenues is monthly subscription fees charged for services.

Other businesses include the operations of educational centers engaged in preparing students for admissions tests and licensing examinations and offering academic enrichment programs, an engineering firm which provides services to the telecommunications industry, a regional sports cable system (sold in September 1997, see Note K), an online information service devoted to federal and state legislation and regulations, and a digital media and electronic information services provider. The results of APC and Mammoth Micro Productions are included in other businesses prior to their disposition in January 1995 and September 1995, respectively.

Income from operations is the excess of operating revenues over operating expenses including corporate expenses, which are allocated based on relative operating revenues to operations of the segments. In computing income from operations by segment, the effects of equity in earnings of affiliates, interest income, interest expense, other income and expense items, and income taxes are not included.

Identifiable assets by segment are those assets used in the company's operations in each business segment. Investments in affiliates are discussed in Note C. Corporate assets are principally cash and cash equivalents and investments in marketable securities.

(in thousands)	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
<b>1997</b>						
Operating revenues .....	\$ 812,896	\$338,373	\$389,853	\$257,732	\$ 157,399	\$1,956,253
Income (loss) from operations .....	\$ 162,721	\$159,620	\$ 38,015	\$ 51,549	\$ (30,554)	\$ 381,351
Equity in earnings of affiliates .....						9,955
Interest income, net .....						2,219
Other income, net .....						69,549
Income before income taxes .....						\$ 463,074
Identifiable assets .....	\$ 515,745	\$436,760	\$323,573	\$502,642	\$ 114,890	\$1,893,610
Investments in affiliates .....						154,791
Corporate assets .....						28,916
Total assets .....						\$ 2,077,317
Depreciation and amortization of property, plant, and equipment .....	\$ 19,104	\$ 11,011	\$ 4,484	\$ 30,672	\$ 6,207	\$ 71,478
Amortization of goodwill and other intangibles.....	\$ 874	\$ 12,213	\$ 136	\$ 19,371	\$ 965	\$ 33,559
Capital expenditures .....	\$ 110,070	\$ 11,651	\$ 3,022	\$ 73,156	\$ 16,674	\$ 214,573
<b>1996</b>						
Operating revenues .....	\$ 763,935	\$335,156	\$377,063	\$229,695	\$ 147,596	\$1,853,445
Income (loss) from operations .....	\$ 116,773	\$155,026	\$ 22,823	\$ 56,023	\$ (13,476)	\$ 337,169
Equity in earnings of affiliates .....						19,702
Interest income, net .....						3,845
Other expense, net .....						(499)
Income before income taxes .....						\$ 360,217
Identifiable assets .....	\$ 420,601	\$377,799	\$226,411	\$452,525	\$ 86,070	\$1,563,406
Investments in affiliates .....						199,278
Corporate assets .....						107,727
Total assets .....						\$ 1,870,411
Depreciation and amortization of property, plant, and equipment .....	\$ 20,386	\$ 10,482	\$ 4,610	\$ 25,075	\$ 4,550	\$ 65,103
Amortization of goodwill and other intangibles.....	\$ 830	\$ 11,252		\$ 16,785	\$ 969	\$ 29,836
Capital expenditures .....	\$ 19,441	\$ 10,923	\$ 4,798	\$ 37,362	\$ 7,457	\$ 79,981
<b>1995</b>						
Operating revenues .....	\$ 729,172	\$306,108	\$352,619	\$194,142	\$ 137,408	\$1,719,449
Income (loss) from operations .....	\$ 109,737	\$132,351	\$ 15,008	\$ 41,019	\$ (27,097)	\$ 271,018
Equity in earnings of affiliates .....						24,512
Interest income, net .....						2,374
Other income, net .....						13,492
Income before income taxes .....						\$ 311,396
Identifiable assets .....	\$ 399,090	\$387,462	\$204,947	\$322,443	\$ 73,055	\$1,386,997
Investments in affiliates .....						189,053
Corporate assets .....						156,843
Total assets .....						\$ 1,732,893
Depreciation and amortization of property, plant, and equipment .....	\$ 18,248	\$ 9,958	\$ 4,633	\$ 28,819	\$ 4,192	\$ 65,850
Amortization of goodwill and other intangibles.....	\$ 800	\$ 11,253		\$ 12,150	\$ 7,226	\$ 31,429
Capital expenditures .....	\$ 61,879	\$ 9,265	\$ 4,145	\$ 40,050	\$ 6,358	\$ 121,697

## N. SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

Quarterly results of operations for the years ended December 28, 1997, and December 29, 1996, are as follows (in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----	-----	-----	-----
1997				
Operating revenues				
Advertising .....	\$ 278,528	\$ 327,949	\$ 286,074	\$ 344,326
Circulation and subscriber .....	123,674	128,901	134,238	132,807
Other .....	51,899	44,525	58,063	45,269
	-----	-----	-----	-----
	454,101	501,375	478,375	522,402
	-----	-----	-----	-----
Operating costs and expenses				
Operating .....	243,504	246,478	253,565	276,322
Selling, general, and administrative .....	106,886	118,875	107,186	117,049
Depreciation and amortization of property, plant, and equipment .....	17,790	17,871	18,007	17,810
Amortization of goodwill and other intangibles..	7,953	8,214	8,382	9,010
	-----	-----	-----	-----
	376,133	391,438	387,140	420,191
	-----	-----	-----	-----
Income from operations .....	77,968	109,937	91,235	102,211
Other income (expense)				
Equity in earnings of affiliates .....	125	3,331	4,712	1,787
Interest income .....	1,112	1,079	725	554
Interest expense .....	(165)	(158)	(182)	(747)
Other income (expense), net .....	(846)	1,668	23,471	45,257
	-----	-----	-----	-----
Income before income taxes .....	78,194	115,857	119,961	149,062
Provision for income taxes .....	30,500	44,500	48,410	58,090
	-----	-----	-----	-----
Net income .....	47,694	71,357	71,551	90,972
Redeemable preferred stock dividends .....	(478)	(239)	(239)	0
	-----	-----	-----	-----
Net income available for common shares .....	\$ 47,216	\$ 71,118	\$ 71,312	\$ 90,972
	=====	=====	=====	=====
Basic earnings per common share .....	\$ 4.35	\$ 6.62	\$ 6.66	\$ 8.66
	=====	=====	=====	=====
Diluted earnings per common share .....	\$ 4.35	\$ 6.60	\$ 6.64	\$ 8.63
	=====	=====	=====	=====
Basic average number of common shares outstanding..	10,844	10,744	10,708	10,502
Diluted average number of common shares outstanding.....	10,866	10,772	10,743	10,544

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----	-----	-----	-----
1996				
Operating revenues				
Advertising .....	\$ 252,807	\$ 310,459	\$ 274,719	\$ 334,720
Circulation and subscriber .....	117,070	121,488	124,916	127,498
Other .....	46,742	40,905	60,691	41,430
	-----	-----	-----	-----
	416,619	472,852	460,326	503,648
	-----	-----	-----	-----
Operating costs and expenses				
Operating .....	242,482	253,639	245,763	265,173
Selling, general, and administrative .....	100,792	100,562	103,937	108,988
Depreciation and amortization of property, plant, and equipment .....	16,160	16,004	15,979	16,960
Amortization of goodwill and other intangibles..	6,985	7,162	7,427	8,262
	-----	-----	-----	-----
	366,419	377,367	373,106	399,383
	-----	-----	-----	-----
Income from operations .....	50,200	95,485	87,220	104,265
Other income (expense)				
Equity in earnings of affiliates .....	7,353	7,807	2,537	2,005
Interest income .....	1,224	1,175	1,358	1,602
Interest expense .....	(1,083)	(139)	(168)	(124)
Other income (expense), net .....	2,867	(689)	(53)	(2,625)
	-----	-----	-----	-----
Income before income taxes .....	60,561	103,639	90,894	105,123
Provision for income taxes .....	23,619	40,421	35,503	39,857
	-----	-----	-----	-----
Net income .....	36,942	63,218	55,391	65,266
Redeemable preferred stock dividends .....	(202)	--	(478)	--
	-----	-----	-----	-----
Net income available for common shares .....	\$ 36,740	\$ 63,218	\$ 54,913	\$ 65,266
	=====	=====	=====	=====
Basic earnings per common share .....	\$ 3.34	\$ 5.76	\$ 5.01	\$ 5.97
	=====	=====	=====	=====
Diluted earnings per common share .....	\$ 3.34	\$ 5.76	\$ 5.00	\$ 5.96
	=====	=====	=====	=====
Basic average number of common shares outstanding..	10,997	10,970	10,957	10,931
Diluted average number of common shares outstanding.....	11,011	10,970	10,975	10,953

The sum of the four quarters may not necessarily be equal to the annual amounts reported in the Consolidated Statements of Income due to rounding.

## SCHEDULE II

THE WASHINGTON POST COMPANY  
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS - CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
-----	-----	-----	-----	-----
Year Ended December 31, 1995				
Allowance for doubtful accounts and returns.....	\$33,436,000	\$49,980,000	\$47,341,000	\$36,075,000
Allowance for advertising rate adjustments and discounts.....	6,507,000	7,253,000	7,871,000	5,889,000
	\$39,943,000	\$57,233,000	\$55,212,000	\$41,964,000
	=====	=====	=====	=====
Year Ended December 29, 1996				
Allowance for doubtful accounts and returns.....	\$36,075,000	\$52,658,000	\$49,072,000	\$39,661,000
Allowance for advertising rate adjustments and discounts.....	5,889,000	8,995,000	6,157,000	8,727,000
	\$41,964,000	\$61,653,000	\$55,229,000	\$48,388,000
	=====	=====	=====	=====
Year Ended December 28, 1997				
Allowance for doubtful accounts and returns.....	\$39,661,000	\$54,163,000	\$53,990,000	\$39,834,000
Allowance for advertising rate adjustments and discounts.....	8,727,000	11,095,000	9,950,000	9,872,000
	\$48,388,000	\$65,258,000	\$63,940,000	\$49,706,000
	=====	=====	=====	=====

This analysis should be read in conjunction with the consolidated financial statements and the notes thereto.

#### RESULTS OF OPERATIONS -- 1997 COMPARED TO 1996

Net income in 1997 was \$281.6 million, an increase of 28 percent over net income of \$220.8 million in 1996. Basic and diluted earnings per share rose 31 and 30 percent to \$26.23 and \$26.15, respectively, in 1997. The company's 1997 net income includes \$28.5 million from the sale of the company's investment in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., as well as \$16.0 million relating to the sale of the assets of its PASS Sports subsidiary. Excluding these non-recurring gains, net income increased 7 percent in 1997 and basic and diluted earnings per share each increased 10 percent.

Revenues for 1997 totaled \$1.956 billion, an increase of 6 percent from \$1.853 billion in 1996. Advertising revenues increased 5 percent in 1997, and circulation and subscriber revenues increased 6 percent. Other revenues increased 5 percent. Substantially all of the increase in advertising revenues was generated by the newspaper and magazine divisions. The increase in circulation and subscriber revenues is due to growth at the cable division and the increase in other revenues is attributable to higher tuition revenues at Kaplan partially offset by reduced fees for engineering services at MLJ.

Costs and expenses for the year increased 4 percent to \$1.575 billion, from \$1.516 billion in 1996. In addition to the normal growth in the costs of operations, the cost and expense increase is attributable to companies acquired in 1997, expansion of Kaplan's business offerings, increased spending for new media activities offset partially by decreased newsprint and magazine paper costs, and other favorable cost experience at Newsweek.

Operating income increased 13 percent to \$381.4 million in 1997.

**NEWSPAPER DIVISION.** Newspaper division revenues increased 6 percent to \$812.9 million, from \$763.9 million in 1996. Advertising revenues at the newspaper division rose 8 percent over the previous year. At The Washington Post, advertising revenues increased 8 percent as a result of strong volume increases and, to a lesser extent, higher rates. Classified revenues at The Washington Post increased 12 percent due to higher recruitment volume and associated rates. The Washington Post's retail revenues rose 4 percent due to higher rates and a 1 percent increase in volume. Other advertising revenues (including general and preprint) at The Washington Post increased 8 percent. General advertising and preprint volume each increased 8 percent over 1996.

Circulation revenues for the newspaper division increased 1 percent in 1997 resulting mostly from rate increases enacted in the beginning of 1997 at The Washington Post. Average daily circulation at The Washington Post fell 1.5 percent, while Sunday circulation declined 1.3 percent.

Newspaper division operating margin in 1997 increased to 20 percent from 15 percent in 1996. The increase in 1997 operating margin is primarily attributable to increased advertising revenues and lower newsprint expense (down 9 percent). Average newsprint prices paid by the newspaper division in 1997 declined about 14 percent from 1996, the positive effects of which were partially offset by a 4 percent increase in newsprint consumed.

**BROADCAST DIVISION.** Revenues at the broadcast division rose 1 percent to \$338.4 million over last year. An increase in advertising from a number of industry categories, including restaurants, utilities, banks and finance, as well as an overall revenue share increase, allowed the broadcast division to offset the approximate \$30.0 million in non-recurring advertising revenues generated in 1996 from political and Olympics-related advertising. Network revenues were down slightly from 1996.

Competitive market position remained strong for the television stations. Four stations were ranked number one in the latest ratings period, sign-on to sign-off, in their markets; one station was ranked a strong number two; one station was ranked number three.

The operating margin at the broadcast division increased to 47 percent, from 46 percent in 1996. Excluding amortization of goodwill and intangibles, operating margins for 1997 and 1996 were 51 percent and 50 percent, respectively. The improvement in the 1997 operating margin is due to increased advertising revenues and benefits derived from 1997 expense control initiatives which, in total, outpaced higher expenses associated with the new station, WCPX (renamed WKM6).

**MAGAZINE DIVISION.** Magazine division revenues, which beginning in 1997 also included the company's business information unit, rose 3 percent to \$389.9 million due primarily to increased advertising revenues at the Newsweek domestic edition. The Newsweek domestic advertising revenue increase over the prior year resulted from a 6 percent increase in domestic advertising pages sold in 1997 versus 1996. Total circulation revenues for the magazine division increased 1 percent in 1997.

Operating margin of the magazine division increased to 10 percent in 1997, from 6 percent in 1996. The increase in operating margin is primarily attributable to the operating results of Newsweek, including the higher sales of domestic advertising pages, reduced magazine paper costs, realized savings from prior year outsourcing initiatives, and other favorable cost experience.

**CABLE DIVISION.** Revenues at the cable division increased 12 percent to \$257.7 million in 1997. Basic and tier, pay, and advertising revenue categories showed improvement over 1996. Increased subscribers in 1997 accounted for the majority of the total increase in revenues. The number of basic subscribers increased 7

percent to 637,300. About 37,000 subscribers

were added in 1997 as a result of cable system acquisitions and exchanges and the remainder by internal growth.

Cable operating cash flow increased 4 percent to \$101.6 million, from \$97.9 million in 1996. Operating margin at the cable division was 20 percent in 1997 compared to 24 percent in 1996, reflecting the effects of increased depreciation and amortization in 1997 from recent cable system acquisitions and capital improvements.

OTHER BUSINESSES. In 1997, revenues from other businesses, including Kaplan, MLJ, LEGI-SLATE, Digital Ink, and PASS Sports (nine months of 1997), increased 7 percent over the prior year to \$157.4 million. The majority of the increase in other businesses revenues is attributable to Kaplan, where revenues increased 21 percent. Student enrollments at Kaplan increased 3 percent in 1997. Partially offsetting the revenue increase generated by Kaplan was a decrease in engineering consulting revenues at MLJ.

Other businesses recorded an operating loss in 1997 of \$30.1 million, compared to a loss of \$13.5 million in 1996. The 1997 operating loss generated by other businesses is directly attributable to the company's investing activities in new media, the 1997 decline in MLJ's revenues, and, to a lesser extent, the start-up costs associated with Kaplan's significant expansion of its Score elementary education business. Offsetting these losses was improved and continued profitability from Kaplan's core test preparation business.

EQUITY IN EARNINGS OF AFFILIATES. The company's equity in earnings of affiliates for 1997 declined to \$10.0 million, from \$19.7 million in 1996, reflecting the effect of lower earnings at the company's affiliated newsprint mills for the majority of 1997 compared to 1996. The decline in earnings at the affiliated newsprint mills is due to lower average newsprint prices charged by the mills in 1997 versus 1996.

NON-OPERATING ITEMS. Interest income, net of interest expense, was \$2.2 million, compared to \$3.8 million in 1996. Increased spending in 1997 for acquisitions, capital expenditures, and stock repurchases resulted in less invested cash in 1997 versus 1996, causing a decline in interest income. Other income (expense), net in 1997 was \$69.5 million, compared with an expense of \$0.5 million in 1996. The increase in other income is attributable to the 1997 gains arising from the company's sale of its investment in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., as well as the sale of the assets of the PASS Sports subsidiary.

INCOME TAXES. The effective tax rate in both 1997 and 1996 was approximately 39 percent.

#### RESULTS OF OPERATIONS -- 1996 COMPARED TO 1995

Net income in 1996 was \$220.8 million, an increase of 16 percent over net income of \$190.1 million in 1995. Basic and diluted earnings per share each rose 17 percent to \$20.08 and \$20.05, respectively, in 1996. The company's 1995 net income included \$8.4 million (\$0.75 per share basic and diluted) from the sale of the company's investment in American PCS, L.P. (APC), as well as an after-tax charge of \$5.6 million (\$0.51 per share basic and diluted) relating to the write-off of the company's interest in Mammoth Micro Productions. Excluding these items, net income and earnings per share (basic and diluted) increased 18 percent and 19 percent, respectively, in 1996.

Revenues for 1996 totaled \$1.853 billion, an increase of 8 percent from \$1.719 billion in 1995. Advertising revenues increased 7 percent in 1996, and circulation and subscriber revenues increased 8 percent. Other revenues increased 11 percent. The broad cast, newspaper, and magazine divisions all contributed significantly to the improvement in advertising revenues. The increase in circulation and subscriber revenues was principally due to growth at the cable division. About two-thirds of growth in other revenues over 1995 was attributable to new businesses acquired in 1996.

Costs and expenses for 1996 increased 5 percent to \$1.516 billion, from \$1.448 billion in 1995. Approximately one-half of the increase is attributable to businesses acquired in 1996, while the remainder of the increase reflects normal growth in the costs of operations.

Operating income increased 24 percent to \$337.2 million, from \$271.0 million in 1995.

NEWSPAPER DIVISION. Newspaper division revenues increased 5 percent to \$763.9 million, from \$729.2 million in 1995. Advertising revenues at the newspaper division rose 4 percent over 1995. At The Washington Post, advertising revenues increased 3 percent as higher rates offset a decline in volume. Retail revenues at The Washington Post declined 4 percent as a result of a 9 percent decline in inches. Classified revenues rose 13 percent in 1996 primarily as a result of higher recruitment volume and associated rates. Other advertising revenues (including general and preprint) at The Washington Post increased 2 percent. General advertising volume was essentially unchanged from 1995, though preprint volume at The Washington Post increased 2 percent.

Circulation revenues for the newspaper division rose 2 percent in 1996 due to a home delivery price increase at The Washington Post. For the 12-month period ended September 30, 1996, both daily and Sunday circulation at The Washington Post declined 1 percent. The Washington Post's share of the market was 48.5 percent penetration in its daily editions and 63.9 percent penetration in its Sunday editions.

Newspaper division operating margin in 1996 remained at 15 percent, consistent with 1995. The previously mentioned increases in advertising and circulation revenues were offset by higher newsprint expense (up 4 percent) and other normal operating cost increases.

BROADCAST DIVISION. Revenues at the broadcast division rose 9 percent over 1995 to \$335.2 million, with both national and

local advertising revenues increasing by 10 percent. The improvement for 1996 is attributable almost entirely to political and Olympics-related advertising as other categories generally remained unchanged. Network revenues rose 12 percent in 1996.

Viewership remained strong for the television stations. Four stations were ranked number one in the latest ratings period, sign-on to sign-off, in their markets; one station was ranked a strong number two; one station was ranked number three.

The increases in advertising and network compensation were partially offset by normal operating cost increases of about 4 percent. As a result, the operating margin at the broadcast division increased to 46 percent, from 43 percent in 1995. Excluding amortization of goodwill and intangibles, operating margins for 1996 and 1995 were 50 percent and 47 percent, respectively.

**MAGAZINE DIVISION.** Newsweek revenues in 1996 increased 7 percent to \$377.1 million due primarily to increased advertising revenues at the domestic edition. Advertising revenues rose 11 percent overall, 16 percent at the domestic edition. The domestic improvement was due to a 9 percent increase in page volume as well as the realization of higher advertising rates. Total circulation revenues for 1996 increased 1 percent over 1995. In 1996 the domestic and international editions published 52 weekly issues versus 51 issues in 1995.

At Newsweek, the operating margin increased to 6 percent, from 4 percent in 1995. The increased cost of magazine paper, one-time costs associated with the magazine's decision to outsource its fulfillment operations, and higher general operating costs offset much of the revenue increase.

**CABLE DIVISION.** Revenues at the cable division increased 18 percent to \$229.7 million in 1996 over 1995. All revenue categories -- basic, tier, pay, pay-per-view, advertising, and other -- showed improvement from 1995. About two-thirds of the total increase is attributable to higher average subscriber counts, with the remainder due to higher rates and increased advertising. During 1996, the number of domestic basic subscribers rose by 15 percent to 594,000. About 66,000 subscribers were added as a result of cable system acquisitions and the remainder by internal growth.

Operating margin at the cable division was 24 percent, compared to 21 percent in 1995. Cable cash flow increased 19 percent to \$97.9 million, from \$82.0 million in 1995. About half of the improvement in cash flow is attributable to the results of cable systems acquired in 1996.

**OTHER BUSINESSES.** In 1996, revenues from other businesses, including Kaplan, MLJ, PASS Sports, LEGI-SLATE, and Digital Ink, increased 7 percent to \$147.6 million, from \$137.4 million in 1995. Half of the increase related to Kaplan, where tuition revenues increased 6 percent. Most of the remainder was due to PASS Sports, which experienced revenue growth of 18 percent.

Other businesses recorded an operating loss in 1996 of \$13.5 million, compared with a loss of \$27.1 million in 1995. The 1995 results included the write-off of Mammoth Micro Productions as previously mentioned. If all costs associated with Mammoth Micro Productions are excluded from the 1995 results, other businesses operating losses amounted to \$5.3 million in 1995. The increase in the 1996 operating loss over this latter amount reflects the company's increased expenditures for digital media and electronic information services and other new business ventures.

**EQUITY IN EARNINGS OF AFFILIATES.** The company's equity in earnings of affiliates for 1996 declined to \$19.7 million, from \$24.5 million in 1995. The reduction in earnings resulted from lower income at the company's affiliated newsprint mills, which were adversely affected by declining newsprint prices beginning in mid-1996.

**NON-OPERATING ITEMS.** Interest income, net of interest expense, was \$3.8 million, compared with \$2.4 million in 1995. The increase was a result of lower interest expense following the retirement of the company's remaining long-term debt in March 1996. Other income (expense), net in 1996 was a loss of \$0.5 million, compared with income of \$13.5 million in 1995. The gain from the sale of the company's investment in APC is included in the 1995 amount.

**INCOME TAXES.** The effective tax rate in both 1996 and 1995 was approximately 39 percent.

#### FINANCIAL CONDITION: CAPITAL RESOURCES AND LIQUIDITY

From 1995 through 1997, the company spent approximately \$1.235 billion on purchases of additional property, plant, and equipment, investments in new businesses, and the repurchase of Class B common stock. The company also retired its \$50.2 million of long-term debt.

During 1997, the company acquired various businesses for an aggregate purchase price of about \$118.9 million. These acquisitions included, among others, cable systems serving approximately 16,000 subscribers, the publishing rights to two computer services industry trade periodicals, the rights to conduct two computer industry trade shows, and a company that produces job fairs serving the information systems and technology industry. In 1996, the company purchased cable systems serving about 66,000 subscribers in four states, for about \$129 million, including \$11.9 million of the company's redeemable Series A Preferred Stock. The company also acquired various other new businesses in 1996 for an aggregate purchase price of about \$18.5 million. These acquisitions include, among others, Comprint, Inc., a commercial printer in the Maryland suburbs of Washington, D.C., Score Learning Corp., which provides educational services to students in grades K through 12, and TechNews, Inc., a producer of business publications for the computer services industry and the Washington-area technology community.



During 1997, the company exchanged the assets of certain cable systems with Tele-Communications, Inc. resulting in an increase of about 21,000 subscribers for the company. The company also completed, in 1997, a transaction with Meredith Corporation whereby the company exchanged the assets of WFSB-TV, the CBS affiliate in Hartford, Connecticut and \$60.0 million in cash for the assets of WCPX-TV (renamed WKMG), the CBS affiliate in Orlando, Florida.

During 1997, the company sold its 35 percent interest in both Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., for approximately \$92.8 million. The company also sold the assets of its PASS Sports subsidiary in 1997 for approximately \$27.4 million. In 1995, the company divested substantially all of its 70 percent limited partnership in APC for a sales price of approximately \$33 million.

During 1997, 1996, and 1995, the company repurchased 846,290, 103,642, and 361,106 shares, respectively, of its Class B common stock at a cost of \$368.6 million, \$32.3 million, and \$89.6 million, respectively. The annual dividend rate for 1998 was increased to \$5.00 per share, from \$4.80 per share in 1997, \$4.60 per share in 1996, and \$4.40 per share in 1995.

The company estimates that in 1998 it will spend approximately \$225.0 million for plant and equipment, principally for various projects at the newspaper and cable divisions. This estimate includes about \$90.0 million to be expended as part of a project to provide new production facilities for The Washington Post newspaper. This project is expected to be substantially completed in late 1998.

In November 1997, the management of Cowles and McClatchy Newspapers, Inc., announced that shareholders representing a majority of each of the respective companies' outstanding voting shares have agreed to vote to approve a series of transactions whereby Cowles and McClatchy will be merged into a newly created company (New McClatchy). Under the terms of the proposed merger, each share of Cowles stock will be converted into a right to receive (based on elections made by Cowles stockholders) either \$90.50 in cash or shares of stock in New McClatchy, or a combination of cash and New McClatchy stock. The company owns 3,893,796 shares of Cowles stock and intends to submit an election requesting to be paid in cash for all of its shares. However, depending on the elections made by other Cowles stockholders, the company may be required to accept up to approximately 15 percent of the consideration otherwise payable to it in the form of New McClatchy stock. At December 28, 1997, the carrying value of the company's investment in Cowles approximated \$91,900,000. If and when the merger described above is completed, the company will adjust the carrying value of such investment and record the corresponding gain.

At December 28, 1997, the company had \$21 million in cash and cash equivalents. In early 1996, the company established a five-year, \$300 million revolving credit facility with a group of banks to provide for general corporate purposes and support the issuance of commercial paper. At December 28, 1997, the company had issued approximately \$296.4 million in commercial paper borrowings at an average interest rate of 5.8 percent. The average short-term borrowings outstanding during 1997 were approximately \$10.7 million. In February 1998, the company borrowed an additional \$45.0 million under a short-term unsecured note bearing interest at 5.76 percent. The company expects to fund the majority of its estimated capital needs through internally generated funds. In management's opinion, the company will have ample liquidity to meet its various cash needs in 1998.

Many computer systems experience problems handling dates beyond the year 1999. Therefore, some computer hardware and software will need to be modified prior to the year 2000 in order to remain functional. The company has formed a year 2000 task force which is assessing the readiness of the company's computer systems and software. The task force has also begun seeking confirmations from key vendors stating that materials and services provided to the company will not be interrupted by year 2000 processing issues. The company plans to implement the system and programming changes necessary to address year 2000 issues, and does not believe based upon present facts that the cost of such actions will have a material effect on the company's results of operations or financial condition.

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## TEN-YEAR SUMMARY OF SELECTED HISTORICAL FINANCIAL DATA

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1995 - 1997.

(in thousands, except per share amounts)	1997	1996	1995
<b>RESULTS OF OPERATIONS</b>			
Operating revenues .....	\$ 1,956,253	\$ 1,853,445	\$ 1,719,449
Income from operations .....	\$ 381,351	\$ 337,169	\$ 271,018
Income before cumulative effect of changes in accounting principle .....	\$ 281,574	\$ 220,817	\$ 190,096
Cumulative effect of change in method of accounting for income taxes .....	--	--	--
Cumulative effect of change in method of accounting for postretirement benefits other than pensions .....	--	--	--
Net income .....	<u>\$ 281,574</u>	<u>\$ 220,817</u>	<u>\$ 190,096</u>
<b>PER SHARE AMOUNTS</b>			
Basic earnings per common share			
Income before cumulative effect of changes in accounting principles .....	\$ 26.23	\$ 20.08	\$ 17.16
Cumulative effect of changes in accounting principles ..	--	--	--
Net income .....	<u>\$ 26.23</u>	<u>\$ 20.08</u>	<u>\$ 17.16</u>
Basic average shares outstanding .....	10,700	10,964	11,075
Diluted earnings per share			
Income before cumulative effect of changes in accounting principles .....	\$ 26.15	\$ 20.05	\$ 17.15
Cumulative effect of changes in accounting principles ..	--	--	--
Net income .....	<u>\$ 26.15</u>	<u>\$ 20.05</u>	<u>\$ 17.15</u>
Diluted average shares outstanding .....	10,733	10,980	11,086
Cash dividends .....	\$ 4.80	\$ 4.60	\$ 4.40
Common shareholders' equity .....	\$ 117.36	\$ 121.24	\$ 107.60
<b>FINANCIAL POSITION</b>			
Current assets .....	\$ 308,492	\$ 382,631	\$ 406,570
Working capital .....	(300,264)	100,995	98,393
Property, plant, and equipment .....	653,750	511,363	457,359
Total assets .....	2,077,317	1,870,411	1,732,893
Long-term debt .....	--	--	--
Common shareholders' equity .....	1,184,074	1,322,803	1,184,204

1994	1993	1992	1991	1990	1989	1988
\$ 1,613,978	\$ 1,498,191	\$ 1,450,867	\$ 1,380,261	\$ 1,438,640	\$ 1,444,094	\$ 1,367,613
\$ 274,875	\$ 238,980	\$ 232,112	\$ 192,866	\$ 281,768	\$ 313,691	\$ 233,290
\$ 169,672	\$ 153,817	\$ 127,796	\$ 118,721	\$ 174,576	\$ 197,893	\$ 269,117
--	11,600	--	--	--	--	--
--	--	--	(47,897)	--	--	--
\$ 169,672	\$ 165,417	\$ 127,796	\$ 70,824	\$ 174,576	\$ 197,893	\$ 269,117
=====	=====	=====	=====	=====	=====	=====
\$ 14.66	\$ 13.10	\$ 10.81	\$ 10.00	\$ 14.46	\$ 15.51	\$ 20.92
--	0.98	--	(4.04)	--	--	--
\$ 14.66	\$ 14.08	\$ 10.81	\$ 5.96	\$ 14.46	\$ 15.51	\$ 20.92
=====	=====	=====	=====	=====	=====	=====
11,577	11,746	11,827	11,874	12,073	12,755	12,864
\$ 14.65	\$ 13.10	\$ 10.80	\$ 10.00	\$ 14.45	\$ 15.50	\$ 20.91
--	0.98	--	(4.04)	--	--	--
\$ 14.65	\$ 14.08	\$ 10.80	\$ 5.96	\$ 14.45	\$ 15.50	\$ 20.91
=====	=====	=====	=====	=====	=====	=====
11,582	11,750	11,830	11,876	12,081	12,768	12,873
\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.00	\$ 1.84	\$ 1.56
\$ 99.32	\$ 92.84	\$ 84.17	\$ 78.12	\$ 76.31	\$ 75.40	\$ 67.50
\$ 375,879	\$ 625,574	\$ 524,975	\$ 472,219	\$ 471,669	\$ 553,188	\$ 493,736
102,806	367,041	242,627	183,959	175,807	283,118	235,698
411,396	363,718	390,804	390,313	394,979	370,597	352,113
1,696,868	1,622,504	1,568,121	1,487,661	1,496,509	1,532,211	1,422,267
50,297	51,768	51,842	51,915	126,988	152,061	154,751
1,126,933	1,087,419	993,005	924,285	905,112	941,522	868,240

## INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	-- Certificate of Incorporation of the Company as amended through May 12, 1988, and the Certificate of Designation for the Company's Series A Preferred Stock filed January 22, 1996 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
3.2	-- By-Laws of the Company as amended through September 9, 1993 (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 1993).
4.1	-- Credit Agreement dated as of March 17, 1998, among the Company, Citibank, N.A., Wachovia Bank of Georgia, N.A., and the other Lenders named therein.
10.1	-- The Washington Post Company Annual Incentive Compensation Plan as amended and restated effective June 30, 1995 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).*
10.2	-- The Washington Post Company Long-Term Incentive Compensation Plan as amended and restated effective June 30, 1995 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).*
10.3	-- The Washington Post Company Stock Option Plan as amended and restated through March 12, 1998.*
10.4	-- The Washington Post Company Supplemental Executive Retirement Plan as amended and restated effective December 31, 1993 (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1994).*
10.5	-- The Washington Post Company Deferred Compensation Plan effective November 15, 1996 (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 1996.)*
11	-- Calculation of earnings per share of common stock.
21	-- List of subsidiaries of the Company.
23	-- Consent of independent accountants.
24	-- Power of attorney dated March 13, 1997 (incorporated by reference to Exhibit 24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1997).
27	-- Financial Data Schedule.

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\* A management contract or compensatory plan or arrangement required to be included as an exhibit hereto pursuant to Item 14(c) of Form 10-K.

U.S. \$500,000,000

CREDIT AGREEMENT

Dated as of March 17, 1998

Among

THE WASHINGTON POST COMPANY

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITIBANK, N.A.

as Administrative Agent

and

WACHOVIA BANK, N.A.

as Documentation Agent

## TABLE OF CONTENTS

PAGE

## ARTICLE I

## DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01.	Certain Defined Terms.....	1
SECTION 1.02.	Computation of Time Periods.....	15
SECTION 1.03.	Accounting Terms.....	15

## ARTICLE II

## AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01.	The Revolving Credit Advances.....	16
SECTION 2.02.	Making the Revolving Credit Advances.....	16
SECTION 2.03.	The Competitive Bid Advances.....	18
SECTION 2.04.	Fees.....	22
SECTION 2.05.	Termination, Reduction or Increase of the Commitments.....	22
SECTION 2.06.	Repayment.....	25
SECTION 2.07.	Interest on Revolving Credit Advances.....	25
SECTION 2.08.	Interest Rate Determination.....	25
SECTION 2.09.	Optional Conversion of Revolving Credit Advances.....	27
SECTION 2.10.	Optional Prepayments of Revolving Credit Advances.....	27
SECTION 2.11.	Increased Costs.....	27
SECTION 2.12.	Illegality.....	29
SECTION 2.13.	Payments and Computations.....	30
SECTION 2.14.	Taxes.....	31
SECTION 2.15.	Sharing of Payments, Etc.....	33
SECTION 2.16.	Use of Proceeds.....	33

## ARTICLE III

## CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01.	Conditions Precedent to Effectiveness of Sections 2.01 and 2.03.....	34
SECTION 3.02.	Conditions Precedent to Each Revolving Credit Borrowing.....	35
SECTION 3.03.	Conditions Precedent to Each Competitive Bid Borrowing.....	35
SECTION 3.04.	Determinations Under Section 3.01.....	36

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower..... 36

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants..... 37
SECTION 5.02. Negative Covenants..... 40
SECTION 5.03. Financial Covenant..... 41

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default..... 42

ARTICLE VII

THE AGENT

SECTION 7.01. Authorization and Action..... 44
SECTION 7.02. Agent's Reliance, Etc..... 44
SECTION 7.03. Citibank and Affiliates..... 45
SECTION 7.04. Lender Credit Decision..... 45
SECTION 7.05. Indemnification..... 45
SECTION 7.06. Successor Agent..... 46
SECTION 7.07. Co-Agent..... 46

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc..... 46
SECTION 8.02. Notices, Etc..... 47

	PAGE
SECTION 8.03. No Waiver; Remedies.....	47
SECTION 8.04. Costs and Expenses.....	47
SECTION 8.05. Right of Set-off.....	49
SECTION 8.06. Binding Effect.....	49
SECTION 8.07. Assignments and Participations.....	49
SECTION 8.08. Confidentiality.....	52
SECTION 8.09. Governing Law.....	52
SECTION 8.10. Execution in Counterparts.....	53
SECTION 8.11. Jurisdiction, Etc.....	53
SECTION 8.12. Waiver of Jury Trial.....	54

## Schedules

Schedule I - List of Applicable Lending Offices

Schedule 5.02(a) - Existing Liens

## Exhibits

- Exhibit A-1 - Form of Revolving Credit Note
- Exhibit A-2 - Form of Competitive Bid Note
- Exhibit B-1 - Form of Notice of Revolving Credit Borrowing
- Exhibit B-2 - Form of Notice of Competitive Bid Borrowing
- Exhibit C - Form of Assignment and Acceptance
- Exhibit D - Form of Assumption Agreement
- Exhibit E - Form of Opinion of Counsel for the Borrower

## CREDIT AGREEMENT

Dated as of March 17, 1998

The Washington Post Company, a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, Citibank, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), and Wachovia Bank, N.A. ("Wachovia"), as documentation agent (the "Co-Agent") for the Lenders, agree as follows:

## ARTICLE I

## DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or executive officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 10% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means the account of the Agent maintained by the Agent at Citibank with its office at 399 Park Avenue, New York, New York 10043, Account No. 3685-2248, Attention: Bruce MacKenzie.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means, as of any date, a percentage per annum determined by reference to the Performance Level in effect on such date as set forth below:

Performance Level =====	Applicable Margin for Base Rate Advances =====	Applicable Margin for Eurodollar Rate Advances =====
I	0%	0.100%
II	0%	0.095%
III	0%	0.150%
IV	0%	0.250%
V =====	0% =====	0.300% =====

"Applicable Percentage" means, as of any date, a percentage per annum determined by reference to the Performance Level in effect on such date as set forth below:

Performance Level =====	Applicable Percentage =====
I	0.050%
II	0.055%
III	0.075%
IV	0.125%
V =====	0.175% =====

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, accepted and approved by the Agent and approved by the Borrower, in substantially the form of Exhibit C hereto.

"Assuming Lender" means an Eligible Assignee not previously a Lender that becomes a Lender hereunder pursuant to Section 2.05(b).

"Assumption Agreement" means an agreement in substantially the form of Exhibit D hereto by which an Eligible Assignee agrees to become a Lender hereunder pursuant to Section 2.05(b), in each case agreeing to be bound by all obligations of a Lender hereunder.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.07(a)(i).

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Commercial Paper Rating" means, as of any date, the lowest rating that has been most recently announced by either S&P or Moody's, as the case may be, for short term public unsecured senior debt issued by the Borrower. For purposes of the foregoing, (a) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (b) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Commercial Paper Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Commitment" means, with respect to any Lender at any time (i) the amount set forth opposite such Lender's name on the signature pages hereof, (ii) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement, the amount set forth as its Commitment in such Assumption Agreement or (iii) if such Lender has entered into one or more Assignments and Acceptances, set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(d), as such amount may be increased, terminated or reduced, as the case may be, at or prior to such time pursuant to Section 2.05.

"Commitment Date" has the meaning specified in Section 2.05(b)(i).

"Commitment Increase" has the meaning specified in Section 2.05(b)(i).

"Competitive Bid Advance" means an advance by a Lender to the Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance or a LIBO Rate Advance.

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Note" means a promissory note of the Borrower (bearing an original or facsimile signature) payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender.

"Confidential Information" means information that the Borrower furnishes to the Agent, Co-Agent or any Lender in a writing designated as confidential, but does not include any such information that is or becomes generally available to the public or that is or becomes available to the Agent or such Lender from a source other than the Borrower that is not, to the best of the Agent's, the Co-Agent's or such Lender's knowledge, acting in violation of a confidentiality agreement with or for the benefit of the Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Continuing Directors" means individuals who at the date hereof are directors of the Borrower and any other director (i) whose election or nomination was approved by a majority of the then Continuing Directors or (b) who was nominated by management at a time when Continuing Directors constituted a majority of the board of directors of the Borrower.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 120 days incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all Debt of others referred to in clauses (a) through (f) above or clause (h) below guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (1) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (2) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (3) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (4) otherwise to assure a creditor against loss, and (h) all Debt referred to in clauses (a) through (g) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Domestic Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto and, with respect to any other Lender, the office of such Lender specified as its "Domestic Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Downgrade" means, with respect to any Lender, the lowest rating that has been most recently announced for any class of non-credit enhanced long-term senior unsecured debt issued by such Lender is lower than BBB- by S&P or Baa3 by Moody's.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; (iii) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$5,000,000,000; (iv) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$5,000,000,000; (v) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or of the Cayman Islands, or a political subdivision of any such country, and having total assets in excess of \$5,000,000,000 so long as such bank is acting through a branch or agency located in the United States or in the country in which it is organized or another country that is described in this clause (v); (vi) the central bank of any country that is a member of the Organization for Economic Cooperation and Development; and (vii) any other Person approved by the Agent and the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment or decree relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414(b) or (c) of the Internal Revenue Code or, solely for purposes of Sections 302 and 303 of ERISA and Section 412 of the Internal Revenue Code, is treated as a single employer under Section 414(b), (c), (m) and (o) of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Reserve Requirements" means the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board of Governors of the Federal Reserve System and any other banking authority to which any Lender is subject and applicable to Eurocurrency Liabilities, or any similar category of assets or liabilities relating to

eurocurrency fundings. Eurocurrency Reserve Requirements shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Eurodollar Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto and, with respect to any other Lender, the office of such Lender specified as its "Eurodollar Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered to the principal office of each of the Reference Banks in London, England by prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurodollar Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period. The Eurodollar Rate for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurodollar Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.07(a)(ii).

"Events of Default" has the meaning specified in Section 6.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it with the consent of the Borrower.

"Fixed Rate Advances" has the meaning specified in Section 2.03(a)(i).

"GAAP" has the meaning specified in Section 1.03.

"Graham Interests" shall mean Katharine Graham and her siblings, their descendants and any relative by marriage of the foregoing, and any trust for the benefit of any of the foregoing whether as an income or residual beneficiary.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic under any Environmental Law and any pollutant or contaminant regulated under the Clean Water Act, 33 U.S.C. Sections 1251 et seq., or the Clean Air Act, 42 U.S.C. Sections 7401 et seq.

"Increase Date" has the meaning specified in Section 2.05(b)(i).

"Increasing Lender" has the meaning specified in Section 2.05(b)(i).

"Information Memorandum" means the information memorandum dated February 25, 1998 used by the Agent in connection with the syndication of the Commitments.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurodollar Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months or, if available to all the Lenders, nine or twelve months, as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) the Borrower may not select any Interest Period that ends after the Termination Date in effect at the time of such selection;

(ii) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means the Initial Lenders, each Assuming Lender that shall become a party hereto pursuant to Section 2.05(b) and each Person that shall become a party hereto pursuant to Section 8.07.

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered to the principal office of each of the Reference Banks in London, England by prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period. The LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advances" has the meaning specified in Section 2.03(a)(i).

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien

or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Margin Stock" has the meaning assigned to such term under Regulation U of the Board of Governors of the Federal Reserve System of the United States as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Material Adverse Change" means any material adverse change in the business, financial condition or results of operations of the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition or results of operations of the Borrower and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrower to perform its obligations under this Agreement or any Note.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Non-Recourse Debt" shall mean Debt of the Borrower or its Subsidiaries incurred (a) as to which neither the Borrower nor any of its Subsidiaries (i) provides credit support (including any undertaking, agreement or instrument which would constitute Debt) or has given or made other written assurances regarding repayment or the maintenance of capital or liquidity except such assurances as may be approved by the Required Lenders (such approval not to be unreasonably withheld or delayed), (ii) is directly or indirectly liable or (iii) constitutes the lender and (b) the obligees of which will have recourse solely to certain identified assets (the loss of which would not reasonably be expected to have a Material Adverse Effect) for repayment of the principal of and interest on such Debt and

any fees, indemnities, expenses, reimbursements or other amounts of whatever nature accrued or payable in connection with such Debt.

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Performance Level" means, as of any date of the determination, the level set forth below as then in effect, as determined in accordance with the following provisions of this definition:

Level I: Public Debt Rating of not lower than AA+ by S&P or not lower than Aa1 by Moody's.

Level II: Public Debt Rating of lower than Level I but not lower than AA- by S&P or Aa3 by Moody's; or, if no Public Debt Rating is available from S&P or Moody's, Commercial Paper Rating of not lower than A-1+ by S&P and P-1 by Moody's.

Level III:  
Public Debt Rating of lower than Level II but not lower than A- by S&P or A3 by Moody's; or, if no Public Debt Rating is available from S&P or Moody's, Commercial Paper Rating of not lower than A-2 from S&P and P-2 from Moody's.

Level IV:  
Public Debt Rating of lower than Level III but not lower than BBB by S&P or Baa2 by Moody's or, if no Public Debt Rating is available from S&P or Moody's, Commercial Paper Rating of not lower than A-3 from S&P and P-3 by Moody's.

Level V:  
Public Debt Rating or Commercial Paper Rating lower than Level IV or no Public Debt Rating or Commercial Paper Rating.

For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Performance Level shall be determined by reference to the available rating, (b) if the Public Debt Ratings established by S&P

and Moody's shall fall within different Performance Levels, the Performance Level shall be based upon the higher rating, provided that if the lower of such ratings is more than one level below the higher of such ratings, the Performance Level shall be based on the level immediately above such lower rating, (c) if only one of S&P and Moody's shall have in effect a Commercial Paper Rating, the Performance Level shall be determined by reference to the available rating and (d) if the Commercial Paper Ratings established by S&P and Moody's shall fall within different Performance Levels, the Performance Level shall be based upon the lower rating.

"Permitted Liens" means any of the following:

(a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof;

(b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations (other than Debt) that (i) are not overdue for a period of more than 120 days or (ii) are being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained in accordance with GAAP;

(c) Pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations;

(d) Liens securing the performance of or payment in respect of, bids, tenders, government contracts (other than for the repayment of Debt), surety and appeal bonds and other obligations of a similar nature incurred in the ordinary course of business; and

(e) Easements, rights of way and other encumbrances on title to real property that do not materially adversely affect the use of such property for its present purposes.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan subject to the provisions of Title IV of ERISA or Section 412 of the Internal Revenue Code or Section 302 of ERISA.

"Pro Rata Share" of any amount means, with respect to any Lender at any time, the product of such amount times a fraction the numerator of which is the amount of such Lender's Commitment at such time and the denominator of which is the aggregate of the Commitments of the Lenders at such time.

"Public Debt Rating" means, as of any date, the lowest rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower. For purposes of the foregoing, (a) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (b) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Reference Banks" means Citibank, Wachovia and The Bank of New York.

"Register" has the meaning specified in Section 8.07(d).

"Required Lenders" means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Commitments.

"Revolving Credit Advance" means an advance by a Lender to the Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of the Borrower (bearing an original or facsimile signature) payable to the order of any Lender, in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

"Shareholders' Equity" means "shareholders' equity" as such term is construed in accordance with GAAP and as reported in the Borrower's reports and registration statements filed with the Securities and Exchange Commission or any national securities exchange.

"Significant Subsidiary" shall mean any Subsidiary that would be a "significant subsidiary" within the meaning of Rule 1-02 of the SEC's Regulation S-X.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Termination Date" means the earlier of March 17, 2003 and the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

"Unused Commitment" means, with respect to any Lender at any time, (a) such Lender's Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Credit Advances made by such Lender and outstanding at such time, plus (ii) such Lender's Pro Rata Share of the aggregate principal amount of the Competitive Bid Advances then outstanding.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of not less than a majority of the directors (or persons

performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All terms of an accounting or financial nature shall be construed in accordance with generally accepted accounting principles ("GAAP"), as in effect from time to time; provided, however, that if the Borrower notifies the Agent that the Borrower wishes to amend any covenant in Article V or any related definition to eliminate the effect of any change in GAAP occurring after the date of this Agreement on the operation of such covenant, or if the Agent notifies the Borrower that the Required Lenders wish to amend Article V or any related definition for such purpose, then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an amount for each such Advance not to exceed such Lender's Unused Commitment. Each Revolving Credit Borrowing shall be in an aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof (or, if less, an aggregate amount equal to the amount by which the aggregate amount of a proposed Competitive Bid Borrowing requested by the Borrower exceeds the aggregate amount of Competitive Bid Advances offered to be made by the Lenders and accepted by the Borrower in respect of such Competitive Bid Borrowing, if such Competitive Bid Borrowing is made on the same date as such Revolving Credit Borrowing) and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Unused Commitment in effect from time to time, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case

of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances, or the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed at once in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Revolving Credit Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Revolving Credit Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.02.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for any Revolving Credit Borrowing if the aggregate amount of such Revolving Credit Borrowing is less than \$10,000,000 or if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurodollar Rate Advances may not be outstanding as part of more than fifteen separate Revolving Credit Borrowings.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If

and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to the Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that the Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided that the amount of each Competitive Bid Borrowing shall not exceed the aggregate amount of the Unused Commitments of the Lenders on such Business Day.

(i) The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent, by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (v) date of such proposed Competitive Bid Borrowing, (w) aggregate amount of such proposed Competitive Bid Borrowing, (x) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances, maturity date for repayment of each Fixed Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring 30 days after the date of such Competitive Bid Borrowing or later than the earlier of (I) 360 days after the date of such Competitive Bid Borrowing and (II) the Termination Date), (y) interest payment date or dates relating thereto, and (z) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than 10:00 A.M. (New York City time) (A) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and (B) at least four Business Days prior to the date of the

proposed Competitive Bid Borrowing, if the Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the rates of interest be offered by the Lenders are to be based on the LIBO Rate (the Advances comprising such Competitive Bid Borrowing being referred to herein as "LIBO Rate Advances"). Each Notice of Competitive Bid Borrowing shall be irrevocable and binding on the Borrower. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to the Borrower), before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances and before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 10:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower shall, in turn, before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances and before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect. The Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower notifies the Agent that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 noon (New York City time) on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's portion of such Competitive Bid Borrowing. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the

Agent's address referred to in Section 8.02. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing.

(vi) If the Borrower notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within one Business Day of the date of any other Competitive Bid Borrowing.

(d) The Borrower shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of each Competitive Bid Advance (such maturity date being that specified by the Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. The Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(e) The Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such

Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. The Borrower shall pay interest on the amount of overdue principal and, to the fullest extent permitted by law, interest in respect of each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of the Borrower resulting from each Competitive Bid Advance made to the Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Fees. (a) Facility Fee. The Borrower agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment in effect from time to time from the Effective Date in the case of each Initial Lender and from the later of the Effective Date and the effective date specified in the Assumption Agreement or in the Assignment and Acceptance, as the case may be, pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing March 31, 1998, and on the Termination Date.

(b) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as may from time to time be agreed between the Borrower and the Agent.

SECTION 2.05. Termination, Reduction or Increase of the Commitments. (a) Termination or Reduction. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the respective Unused Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof. The aggregate amount of the Commitments once reduced as provided in this Section 2.05(a), may not be reinstated, except as provided in Section 2.05(b) below.

(b) Increase in Aggregate of the Commitments. (i) The Borrower may at any time, by notice to the Agent, propose that the aggregate amount of the Commitments be increased (such aggregate amount being, a "Commitment Increase"), effective as at a date prior to the

Termination Date (an "Increase Date") as to which agreement is to be reached by an earlier date specified in such notice (a "Commitment Date"); provided, however, that (A) the Borrower may not propose more than two Commitment Increases in any calendar year, (B) the minimum proposed Commitment Increase per notice shall be \$25,000,000, (C) in no event shall the aggregate amount of the Commitments at any time exceed \$750,000,000, (D) the applicable Performance Level on such Increase Date shall be Level I, Level II or Level III and (E) no Default shall have occurred and be continuing on such Increase Date. The Agent shall notify the Lenders thereof promptly upon its receipt of any such notice. The Agent agrees that it will cooperate with the Borrower in discussions with the Lenders and other Eligible Assignees with a view to arranging the proposed Commitment Increase through the increase of the Commitments of one or more of the Lenders (each such Lender that is willing to increase its Commitment hereunder being an "Increasing Lender") and the addition of one or more other Eligible Assignees as Assuming Lenders and as parties to this Agreement; provided, however, that it shall be in each Lender's sole discretion whether to increase its Commitment hereunder in connection with the proposed Commitment Increase; and provided further that the minimum Commitment of each such Assuming Lender that becomes a party to this Agreement pursuant to this Section 2.05(b), shall be at least equal to \$15,000,000. If any of the Lenders agree to increase their respective Commitments by an aggregate amount in excess of the proposed Commitment Increase, the proposed Commitment Increase shall be allocated among such Lenders in proportion to their respective Commitments immediately prior to the Increase Date. If agreement is reached on or prior to the applicable Commitment Date with any Increasing Lenders and Assuming Lenders as to a Commitment Increase (which may be less than but not greater than specified in the applicable notice from the Borrower), such agreement to be evidenced by a notice in reasonable detail from the Borrower to the Agent on or prior to the applicable Commitment Date, such Assuming Lenders, if any, shall become Lenders hereunder as of the applicable Increase Date and the Commitments of such Increasing Lenders and such Assuming Lenders shall become or be, as the case may be, as of the Increase Date, the amounts specified in such notice; provided that:

(x)the Agent shall have received (with copies for each Lender, including each such Assuming Lender) by no later than 10:00 A.M. (New York City time) on the applicable Increase Date (1) certified copies of resolutions of the Board of Directors of the Borrower approving the Commitment Increase and (2) an opinion of counsel for the Borrower (which may be in-house counsel), in substantially the form of Exhibit E hereto;

(y)each such Assuming Lender shall have delivered to the Agent, by no later than 10:00 A.M. (New York City time) on such Increase Date, an appropriate Assumption Agreement in substantially the form of Exhibit D hereto, duly executed by such Assuming Lender and the Borrower; and

(z)each such Increasing Lender shall have delivered to the Agent by, no later than 10:00 A.M. (New York City time) on such Increase Date, (A) its existing Revolving

Credit Note and (B) confirmation in writing satisfactory to the Agent as to its increased Commitment.

(ii) In the event that the Agent shall have received notice from the Borrower as to its agreement to a Commitment Increase on or prior to the applicable Commitment Date and each of the actions provided for in clauses (x) through (z) above shall have occurred prior to 10:00 A.M. (New York City time) on the applicable Increase Date to the satisfaction of the Agent, the Agent shall notify the Lenders (including any Assuming Lenders) and the Borrower of the occurrence of such Commitment Increase by telephone, confirmed at once in writing, telecopier, telex or cable and in any event no later than 1:00 P.M. (New York City time) on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and Assuming Lender. Each Increasing Lender and each Assuming Lender shall, before 2:00 P.M. (New York City time) on the applicable Increase Date, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, in the case of such Assuming Lender, an amount equal to such Assuming Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase) and, in the case of such Increasing Lender, an amount equal to the excess of (i) such Increasing Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase) over (ii) such Increasing Lender's Pro Rata Share of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment (without giving effect to the relevant Commitment Increase) as a percentage of the aggregate Commitments (without giving effect to the relevant Commitment Increase)). After the Agent's receipt of such funds from each such Increasing Lender and each such Assuming Lender, the Agent will promptly thereafter cause to be distributed like funds to the other Lenders for the account of their respective Applicable Lending Offices in an amount to each other Lender such that the aggregate amount of the outstanding Revolving Credit Advances owing to each Lender after giving effect to such distribution equals such Lender's Pro Rata Share of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase). Within five Business Days after the Borrower receives notice from the Agent, the Borrower, at its own expense, shall execute and deliver to the Agent, Revolving Credit Notes payable to the order of each Assuming Lender, if any, and, each Increasing Lender, dated as of the applicable Increase Date, in a principal amount equal to such Lender's Commitment after giving effect to the relevant Commitment Increase, and substantially in the form of Exhibit A-1 hereto. The Agent, upon receipt of such Revolving Credit Notes, shall promptly deliver such Revolving Credit Notes to the respective Assuming Lenders and Increasing Lenders.

(iii) In the event that the Agent shall not have received notice from the Borrower as to such agreement on or prior to the applicable Commitment Date or the Borrower shall, by

notice to the Agent prior to the applicable Increase Date, withdraw its proposal for a Commitment Increase or any of the actions provided for above in clauses (i)(x) through (i)(z) shall not have occurred by 10:00 A.M. (New York City time) on the such Increase Date, such proposal by the Borrower shall be deemed not to have been made. In such event, any actions theretofore taken under clauses (i)(x) through (i)(z) above shall be deemed to be of no effect and all the rights and obligations of the parties shall continue as if no such proposal had been made.

SECTION 2.06. Repayment. The Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving Credit Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) Default Interest. The Borrower shall pay interest on (i) overdue principal of each Revolving Credit Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any overdue interest, fee or other amount payable hereunder, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Agent timely information for the purpose of determining each Eurodollar Rate and each LIBO Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurodollar Rate Advances, the Required Lenders notify the Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (ii) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and the Borrower shall be deemed to have selected an Interest Period of one month.

(d) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

(e) If fewer than two Reference Banks furnish timely information to the Agent for determining the Eurodollar Rate or LIBO Rate for any Eurodollar Rate Advances or LIBO Rate Advances, as the case may be, the Eurodollar Rate or the LIBO Rate for such Eurodollar Rate Advance or LIBO Rate Advance, as the case may be, shall be an interest rate per annum determined by the Agent to be the offered rate per annum at which deposits in U.S. dollars appears on the Dow Jones Markets Page 3750 (or any successor page) as of 11:00 A.M. (London time), or in the event such offered rate is not available from the Dow Jones Markets Page 3750,

(i) the Agent shall forthwith notify the Borrower and the Lenders that the interest rate cannot be determined for such Eurodollar Rate Advances or LIBO Rate Advances, as the case may be,

(ii)with respect to Eurodollar Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii)the obligation of the Lenders to make Eurodollar Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Revolving Credit

Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances of one Type comprising the same Borrowing into Revolving Credit Advances of the other Type; provided, however, that any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Revolving Credit Advances shall result in more separate Revolving Credit Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

SECTION 2.10. Optional Prepayments of Revolving Credit

Advances. The Borrower may, in the case of Eurodollar Rate Advances, upon at least two Business Days' notice to the Agent, and in the case of Base Rate Advances, upon notice to the Agent not later than 11:00 A.M. on the date of such proposed prepayment, stating in each case the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of \$5,000,000 for any Base Rate Advance or \$10,000,000 for any Eurodollar Rate Advance or, in each case, an integral multiple of \$1,000,000 in excess thereof and (y) in the event of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(c).

SECTION 2.11. Increased Costs. (a) If, after the date hereof,

due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority

(whether or not having the force of law), there shall be any increase in the cost to any Lender (other than in respect of Eurocurrency Liabilities) of agreeing to make or making, funding or maintaining Eurodollar Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, setting forth in reasonable detail the basis therefor and the computation thereof, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error. Notwithstanding the foregoing, none of the Lenders shall deliver the notice and certificate described in this Section 2.11(a) to the Borrower in respect of any increased costs except in accordance with the internal policy of such Lender as to the exercise of similar rights and remedies in similar circumstances.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) in either case enacted, adopted or made after the date hereof, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation for the reduction of the rate of return on such Lender's capital or on the capital of such corporation, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts, setting forth in reasonable detail the basis therefor and the computation thereof, submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error. Notwithstanding the foregoing, none of the Lenders shall deliver the notice and certificate described in this Section 2.11(b) to the Borrower in respect of any requirements of additional capital except in accordance with the internal policy of such Lender as to the exercise of similar rights and remedies in similar circumstances.

(c) If any Lender shall give notice to the Agent and the Borrower at any time to the effect that Eurocurrency Reserve Requirements are, or are scheduled to become, effective and that such Lender is or will be generally subject to such Eurocurrency Reserve Requirements (without regard to whether such Lender will be able to benefit from proration or offsets that may be available from time to time under Regulation D) as a result of which such Lender will incur

additional costs, then such Lender shall, for each day from the later of the date of such notice and the date on which such Eurocurrency Reserve Requirements become effective, be entitled to additional interest on each Eurodollar Rate Advance made by it at a rate per annum determined for such day (rounded upward to the nearest 100th of 1%) equal to the remainder obtained by subtracting (i) the Eurodollar Rate for such Eurodollar Rate Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the then applicable Eurocurrency Reserve Requirements. Such additional interest will be payable in arrears to the Agent, for the account of such Lender, on each date that interest is payable on such Eurodollar Rate Advance. Any Lender which gives a notice under this paragraph (c) shall promptly withdraw such notice (by written notice of withdrawal given to the Agent and the Borrower) in the event Eurocurrency Reserve Requirements cease to apply to it or the circumstances giving rise to such notice otherwise cease to exist.

(d) Notwithstanding anything to the contrary herein contained, no Lender shall be entitled to claim any additional amounts pursuant to this Section 2.11 arising with respect to any period of time prior to the date that is 60 days prior to the date on which notice of such claim and the basis therefor is first given to the Borrower pursuant to this Section 2.11.

SECTION 2.12. Illegality. (a) Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or LIBO Rate Advances or to fund or maintain Eurodollar Rate Advances or LIBO Rate Advances hereunder, (i) each Eurodollar Rate Advance or LIBO Rate Advance, as the case may be, of such Lender will automatically, upon such demand, Convert into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) the obligation of such Lender to make Eurodollar Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist. If any Lender shall exercise its rights under this Section 2.12(a), all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Rate Advances or LIBO Rate Advances that would have been made by such Lender or the converted Eurodollar Rate Advances or LIBO Rate Advances of such Lender shall instead be applied to repay the Base Rate Advances or Advances bearing interest at the rate set forth in Section 2.07(a)(i), as the case may be, made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Rate Advances or LIBO Rate Advances, and all distributions of payments in respect of interest shall be made to the Lenders ratably based on the interest rates applicable to their respective Advances.

(b) For purposes of this Section 2.12, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Rate Advance or LIBO Rate Advance, if lawful, on the last day

of the Interest Period currently applicable to such Eurodollar Rate Advance or LIBO Rate Advance; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.13. Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 12:00 noon (New York City time) on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.11, 2.14 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. Upon any Assuming Lender becoming a Lender hereunder as a result of the effectiveness of a Commitment Increase pursuant to Section 2.05(b) and upon the Agent's receipt of such Lender's Assumption Agreement and recording the information contained therein in the Register, from and after the applicable Increase Date, the Agent shall make all payments hereunder and under the Notes in respect of the interest assumed thereby to the Assuming Lender.

(b) All computations of interest based on Citibank's base rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such

payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.14. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof, and further excluding, if any Lender is found as the result of a determination (as defined in Section 1313(a) of the Internal Revenue Code) to be a conduit entity participating in a conduit financing arrangement as defined in Treasury Regulations promulgated under Section 7701(1) of the Internal Revenue Code, the excess of the United States taxes imposed with respect to such Lender over the amount of United States taxes that would have been imposed with respect to such Lender if such determination had not been made with respect to such Lender (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

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

(c) The Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any

jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the forms provided by a Lender at the time such Lender first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that, if at the date of the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the

Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form described in Section 2.14(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

(g) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurodollar Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.11, 2.14 or 8.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16. Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) for general corporate purposes of the

Borrower and its Subsidiaries, including acquisitions, stock repurchases and commercial paper backstop.

### ARTICLE III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) The Borrower shall have paid all accrued fees and expenses of the Agent and the Lenders (including the accrued fees and expenses of counsel to the Agent).

(b) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct in all material respects on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(c) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes to the order of the Lenders, respectively.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Diana M. Daniels, general counsel for the Borrower, substantially in the form of Exhibit E hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

SECTION 3.02. Conditions Precedent to Each Revolving Credit Borrowing. The obligation of each Lender to make an Advance on the occasion of each Borrowing (other than a Competitive Bid Advance) shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing such statements are true):

(a) the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date except to the extent such representations and warranties expressly relate to an earlier date, and

(b) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

SECTION 3.03. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(a)the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(b)no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

SECTION 3.04. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders and the Borrower of the occurrence of the Effective Date.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a)The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b)The execution, delivery and performance by the Borrower of this Agreement and the Notes, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

(c)No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes.

(d) This Agreement has been, and each of the Notes when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the Notes when delivered hereunder will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms.

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 29, 1996, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Price Waterhouse LLP, independent public accountants copies of which have been furnished to each Lender, fairly present the Consolidated financial condition of the Borrower and its Subsidiaries as at such date and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such date, all in accordance with generally accepted accounting principles consistently applied. Between December 29, 1996 and the date hereof, there has been no Material Adverse Change.

(f) There is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) is pending or threatened on the date hereof and is reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby.

(g) The Borrower is not, and immediately after the application by the Borrower of the proceeds of each Advance will not be an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(h) After giving effect to the application of the proceeds of each Advance, not more than 25% of the value of the assets of the Borrower and its Subsidiaries (as determined in good faith by the Borrower) subject to the provisions of Section 5.02(a) or subject to any restriction contained in any agreement or instrument between the Borrower and any Lender or any Affiliate of any Lender relating to Debt and within the scope of Section 6.01(d) will consist of or be represented by Margin Stock.

## ARTICLE V

## COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws, except to the extent that any failures to so comply, individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to comply with any law, rule, regulation or order to the extent it is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, all material taxes, assessments and governmental charges or levies imposed upon it or upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. Maintain, and cause each of its Significant Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Significant Subsidiary operates.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence, rights (charter and statutory) and franchises if the loss or failure to maintain the same could, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect; provided, however, that the Borrower may consummate any merger or consolidation permitted under Section 5.02(b).

(e) Visitation Rights. At any reasonable time and from time to time on reasonable notice and at reasonable intervals, permit the Agent or any of the Lenders, or any agents or representatives thereof, to visit the properties of the Borrower and any of its Subsidiaries and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors and, during the continuance of any

Default, to examine and make copies of and abstracts from the records and books of account of the Borrower and any of its Subsidiaries and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Significant Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent that any failure to do so, individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect.

(h) Primary Business. The Borrower shall continue to be engaged primarily in lines of business as carried on at the date hereof or lines of business related thereto.

(i) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 55 days after the end of each of the first three quarters of each fiscal year of the Borrower, the Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by the chief financial officer of the Borrower as having been prepared in accordance with generally accepted accounting principles and certificates of the chief financial officer of the Borrower as to compliance with the terms of this Agreement, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(ii) as soon as available and in any event within 105 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, containing the Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case accompanied by an opinion by Price Waterhouse LLP or

other independent public accountants of recognized national standing, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(iii) as soon as possible and in any event within seven days after the occurrence of each Default continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all quarterly and annual reports and proxy solicitations that the Borrower sends to its public securityholders generally, and copies of all reports on Form 8-K and registration statements for the public offering (other than pursuant to employee Plans) of securities that the Borrower files with the Securities and Exchange Commission or any national securities exchange;

(v) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f); and

(vi) such other information respecting the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties (which for purposes of this subsection (a) shall be deemed not to include shares of the Borrower's capital stock), whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any real property or equipment acquired or held by the Borrower or any Subsidiary in the ordinary course of business to secure the purchase price of such property or equipment or to secure

Debt incurred solely for the purpose of financing the acquisition of such property or equipment, or Liens existing on such property or equipment at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired (or, in the case of improvements to real property, the real property being improved), and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced,

(iii) the Liens existing on the Effective Date and described on Schedule 5.02(a) hereto,

(iv) Liens securing Debt payable to the Borrower,

(v) other Liens securing Debt in an aggregate principal amount not to exceed at any time outstanding an amount equal to 20% of Consolidated Shareholders' Equity, and

(vi) the replacement, extension or renewal of any Lien permitted by clause (iii) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount) of the Debt secured thereby.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, provided that the Borrower may merge or consolidate with any other Person so long as the Borrower is the surviving corporation and provided further that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as permitted by generally accepted accounting principles and, in the case of any significant change, concurred with by the Borrower's independent public accountants.

SECTION 5.03. Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will maintain Consolidated Shareholders' Equity of not less than \$850,000,000.

## ARTICLE VI

## EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a)The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable (or, if any such failure is due solely to technical or administrative difficulties relating to the transfer of such principal payment, within two Business Days after the same becomes due and payable); or the Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b)Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c)(i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d) or (i)(iii), 5.02 or 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 20 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d)The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt (other than Non-Recourse Debt) that is outstanding in a principal amount of at least \$40,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or

(e)The Borrower or any of its Significant Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts

generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Significant Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or in such proceeding the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property shall occur; or the Borrower or any of its Significant Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order of a court of competent jurisdiction for the payment of money in excess of \$20,000,000 shall be rendered against the Borrower or any of its Significant Subsidiaries and either (i) enforcement proceedings shall have been legally commenced by any creditor upon such judgment or order or (ii) there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect provided, however, that any such judgment or order shall not be an Event of Default under this Section 6.01(f) if and for so long as (x) the amount of such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (y) such insurer, which shall be rated at least "A-" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order; or

(g)(i) Any Person or two or more Persons acting in concert (other than the Graham Interests) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 30% or more of the combined voting power of all Voting Stock of the Borrower and such combined voting power exceeds the then current voting power of the Voting Stock of the Borrower (or other securities convertible into such Voting Stock) controlled by the Graham Interests; or (ii) Continuing Directors of the Borrower shall cease for any reason to constitute a majority of the board of directors of the Borrower; or

(h) The Borrower or any of its ERISA Affiliates shall incur liability as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a

Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan; and, in the reasonable opinion of the Required Lenders, such incurrence would be likely to result in a Material Adverse Effect, provided that any such liability in an amount not to exceed \$20,000,000 shall be deemed not to be likely to result in a Material Adverse Effect;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

## ARTICLE VII

### THE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat

the payee of any Note as the holder thereof until the Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Revolving Credit Notes then held by each of them (or if no Revolving Credit Notes are at the time outstanding or if any Revolving Credit Notes are held by Persons that are not Lenders, ratably according to the respective amounts of their Commitments), from and against any and all

liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower.

SECTION 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.07. Co-Agent. Wachovia has been designated as Co-Agent in recognition of its Commitment, and the use of such title does not impose on Wachovia any duties or obligations greater than those of any other Lender.

#### ARTICLE VIII

#### MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the

Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitments of the Lenders other than as provided in Section 2.05(b), (c) reduce the principal of, or interest on, the Revolving Credit Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Notes or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Notes that shall be required for the Lenders or any of them to take any action hereunder or (f) amend this Section 8.01; provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and telecopied, telegraphed, telexed or delivered, if to the Borrower, at its address at 1150 15th Street, N.W., Washington, D.C. 20071, Attention: Treasurer; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Brian Maxwell; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when hand delivered, telecopied, telegraphed or telexed, be effective when received. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation and duplication

expenses, and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Borrower further agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances, whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct or breach of its obligations under this Agreement.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance or LIBO Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08(d) or (e), 2.09, 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of an Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and

8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmaturing. Each Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may with the consent of the Agent and the Borrower (which consent shall not be unreasonably withheld or delayed) and, if demanded by the Borrower (following a demand by such Lender pursuant to Section 2.11 or 2.14 or following such Lender's Downgrade) at a time when no Default has occurred and is continuing upon at least five Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment

of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and the amount of the Commitment of such Lender remaining after such assignment shall not be less than \$10,000,000 or shall be zero, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) unless such assignment is demanded by the Borrower, the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of \$3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with

copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Revolving Credit Note a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Revolving Credit Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Revolving Credit Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Revolving Credit Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 hereto.

(d) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its

Commitment, the Advances owing to it and the Note or Notes held by it) with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.08. Confidentiality. Neither the Agent nor any Lender shall disclose any Confidential Information to any other Person without the consent of the Borrower, other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, accountants, auditors, counsel, agents and advisors and, as contemplated by Section 8.07(f), to actual or prospective assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process, (c) to any rating agency when required by it, provided that, prior to any such disclosure, such rating agency shall undertake to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender and (d) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 8.09. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.11. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.12. Waiver of Jury Trial. Each of the Borrower, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE WASHINGTON POST COMPANY

By -----

Title:

CITIBANK, N.A.

as Agent

By -----

Title:

WACHOVIA BANK, N.A.

as Co-Agent

By -----

Title:

Initial Lenders

Commitment

\$100,000,000

CITIBANK, N.A.

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

\$100,000,000

WACHOVIA BANK, N.A.

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

\$ 50,000,000

THE BANK OF NEW YORK

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

\$ 50,000,000

CRESTAR BANK

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

\$ 75,000,000

THE FIRST NATIONAL BANK  
OF CHICAGO

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

\$ 25,000,000

FIRST NATIONAL BANK OF  
MARYLAND

By -----  
Title:

\$ 50,000,000

FIRST UNION NATIONAL BANK

By -----  
Title:

\$ 25,000,000

MELLON BANK, N.A.

By -----  
Title:

\$ 25,000,000

RIGGS BANK, N.A.

By -----  
Title:

\$500,000,000

Total of the Commitments

SCHEDULE I  
The Washington Post Company  
APPLICABLE LENDING OFFICES

NAME OF INITIAL LENDER -----	DOMESTIC LENDING OFFICE -----	EURODOLLAR LENDING OFFICE -----
Citibank, N.A.	399 Park Avenue New York, New York 10043	399 Park Avenue New York, New York 10043
Wachovia Bank, N.A.	191 Peachtree Street, N.E. Atlanta, Georgia 30303	191 Peachtree Street, N.E. Atlanta, Georgia 30303
The Bank of New York	One Wall Street New York, New York 10286	One Wall Street New York, New York 10286
Crestar Bank	1445 New York Avenue NW 5th Floor Washington, DC 20005	1445 New York Avenue NW 5th Floor Washington, DC 20005
The First National Bank of Chicago	One First National Plaza Chicago, Illinois 60670	One First National Plaza Chicago, Illinois 60670
First National Bank of Maryland	601 13th Street NW Suite 1000 North Washington, DC 20005	601 13th Street NW Suite 1000 North Washington, DC 20005
First Union National Bank	301 S. College Street DC-5 Charlotte, NC 28288-0735	301 S. College Street DC-5 Charlotte, NC 28288-0735
Mellon Bank, N.A.	One Mellon Bank Center 500 Grant Street Pittsburgh, PA 15258	One Mellon Bank Center 500 Grant Street Pittsburgh, PA 15258
Riggs Bank, N.A.	808 17th Street NW 10th Floor Washington, DC 20006	808 17th Street NW 10th Floor Washington, DC 20006

SCHEDULE 5.02(a)

EXISTING LIENS

None

EXHIBIT A-1 - FORM OF  
REVOLVING CREDIT  
PROMISSORY NOTE

U.S.\$ \_\_\_\_\_

Dated: March 17, 1998

FOR VALUE RECEIVED, the undersigned, THE WASHINGTON POST COMPANY, a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Revolving Credit Advances made by the Lender to the Borrower pursuant to the Credit Agreement dated as of March 17, 1998 among the Borrower, the Lender and certain other lenders parties thereto, Citibank, N.A., as Agent for the Lender and such other lenders, and Wachovia Bank, N.A., as Co-Agent (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined), outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043, in same day funds. Each Revolving Credit Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving

Credit Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE WASHINGTON POST COMPANY

By

-----  
Title:

## ADVANCES AND PAYMENTS OF PRINCIPAL

DATE	AMOUNT OF ADVANCE	AMOUNT OF PRINCIPAL PAID OR PREPAID	UNPAID PRINCIPAL BALANCE	NOTATION MADE BY
-----	-----	-----	-----	-----

EXHIBIT A-2 - FORM OF  
COMPETITIVE BID  
PROMISSORY NOTE

U.S.\$ \_\_\_\_\_

Dated: March 17, 1998

FOR VALUE RECEIVED, the undersigned, THE WASHINGTON POST COMPANY, a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office (as defined in the Credit Agreement dated as of March 17, 1998 among the Borrower, the Lender and certain other lenders parties thereto, Citibank, N.A., as Agent for the Lender and such other lenders, and Wachovia Bank, N.A., as Co-Agent (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on \_\_\_\_\_, 199\_, the principal amount of U.S.\$ \_\_\_\_\_.

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

[Interest Rate: \_\_\_\_% per annum (calculated on the basis of a year of \_\_\_\_ days for the actual number of days elapsed).]

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A. for the account of the Lender at the office of Citibank, N.A., at 399 Park Avenue, New York, New York 10043 in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

THE WASHINGTON POST COMPANY

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

EXHIBIT B-1 - FORM OF NOTICE OF  
REVOLVING CREDIT BORROWING

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
399 Park Avenue  
New York, New York 10043

[Date]

Attention: \_\_\_\_\_

Ladies and Gentlemen:

The undersigned, The Washington Post Company, refers to the Credit Agreement, dated as of March 17, 1998 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Citibank, N.A., as Agent for said Lenders, and Wachovia Bank, N.A., as Co-Agent, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Revolving Credit Borrowing is \_\_\_\_\_, 199\_.

(ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].

(iii) The aggregate amount of the Proposed Revolving Credit Borrowing is \$\_\_\_\_\_.

[(iv) The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Revolving Credit Borrowing is \_\_\_\_\_ month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom,

as though made on and as of such date, except to the extent they expressly relate to an earlier date; and

(B) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

Very truly yours,

THE WASHINGTON POST COMPANY

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

EXHIBIT B-2 - FORM OF NOTICE OF  
COMPETITIVE BID BORROWING

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
399 Park Avenue  
New York, New York 10043

[Date]

Attention: \_\_\_\_\_

Ladies and Gentlemen:

The undersigned, The Washington Post Company, refers to the Credit Agreement, dated as of March 17, 1998 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Citibank, N.A., as Agent for said Lenders, and Wachovia Bank, N.A., as Co-Agent, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

- (A) Date of Competitive Bid Borrowing \_\_\_\_\_
- (B) Amount of Competitive Bid Borrowing \_\_\_\_\_
- (C) [Maturity Date] [Interest Period] \_\_\_\_\_
- (D) Interest Rate Basis \_\_\_\_\_
- (E) Interest Payment Date(s) \_\_\_\_\_
- (F) \_\_\_\_\_
- (G) \_\_\_\_\_
- (H) \_\_\_\_\_

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(a) the representations and warranties contained in Section 4.01 are correct in all material respects, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, except to the extent they expressly relate to an earlier date;

(b) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(c) the aggregate amount of the Proposed Competitive Bid Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the Unused Commitments of the Lenders.

The undersigned hereby confirms that the Proposed Competitive Bid Borrowing is to be made available to it in accordance with Section 2.03(a)(v) of the Credit Agreement.

Very truly yours,

THE WASHINGTON POST COMPANY

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

EXHIBIT C - FORM OF  
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of March 17, 1998 (as amended or modified from time to time, the "Credit Agreement") among The Washington Post Company, a Delaware corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement), Citibank, N.A., as agent for the Lenders (the "Agent"), and Wachovia Bank, N.A., as co-agent. Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Revolving Credit Note held by the Assignor and requests that the Agent exchange such Revolving Credit Note for a new Revolving Credit Note payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Revolving Credit Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule 1 hereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently

and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

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

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1  
to  
Assignment and Acceptance

Percentage interest assigned: \_\_\_\_\_ %  
 Assignee's Commitment: \$ \_\_\_\_\_  
 Aggregate outstanding principal amount of Revolving  
 Credit Advances assigned: \$ \_\_\_\_\_  
 Principal amount of Revolving Credit Note payable to Assignee: \$ \_\_\_\_\_  
 Principal amount of Revolving Credit Note payable to Assignor: \$ \_\_\_\_\_

Effective Date:\* \_\_\_\_\_, 199\_\_

[NAME OF ASSIGNOR], as Assignor

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

Dated: \_\_\_\_\_, 199\_\_

[NAME OF ASSIGNEE], as Assignee

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

Dated: \_\_\_\_\_, 199\_\_

Domestic Lending Office:

- - - - -

\* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

[Address]

Eurodollar Lending Office:  
[Address]

Accepted and Approved this \_\_\_\_\_ day of \_\_\_\_\_, 199\_

CITIBANK, N.A., as Agent

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

Approved this \_\_\_\_\_ day  
of \_\_\_\_\_, 199\_

THE WASHINGTON POST COMPANY

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

EXHIBIT D - FORM OF  
ASSUMPTION AGREEMENT

Dated: \_\_\_\_\_

The Washington Post Company  
1150 15th Street, N.W.  
Washington, D.C. 20071

Citibank, N.A., as Agent  
399 Park Avenue  
New York, New York 10043

Attention:

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of March 17, 1998 among The Washington Post Company (the "Borrower"), the Lenders parties thereto, Citibank, N.A., as Agent, and Wachovia Bank, N.A., as Co-Agent (the "Credit Agreement"; terms defined therein being used herein as therein defined), for such Lenders.

The undersigned (the "Assuming Lender") proposes to become an Assuming Lender pursuant to Section 2.05(b) of the Credit Agreement and, in that connection, hereby agrees that it shall become a Lender for purposes of the Credit Agreement on [applicable Increase Date] and that its Commitment shall as of such date be \$\_\_\_\_\_.

The undersigned (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof, the most recent financial statements referred to in Section 5.01(i) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assumption Agreement; (ii) agrees that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed

by it as a Lender; (v) confirms that it is an Eligible Assignee; (vi) specifies as its Lending Office (and address for notices) the offices set forth beneath its name on the signature pages hereof; and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States required under Section 2.14 of the Credit Agreement.

The Assuming Lender requests that the Borrower deliver to the Agent (to be promptly delivered to the Assuming Lender) a Revolving Credit Note payable to the order of the Assuming Lender, dated as of the [Increase Date] and substantially in the form of Exhibit A-1 to the Credit Agreement.

The effective date for this Assumption Agreement shall be [applicable Increase Date]. Upon delivery of this Assumption Agreement to the Borrower and the Agent, and satisfaction of all conditions imposed under Section 2.05(b) as of [date specified above], the undersigned shall be a party to the Credit Agreement and have the rights and obligations of a Lender thereunder. As of [date specified above], the Agent shall make all payments under the Credit Agreement in respect of the interest assumed hereby (including, without limitation, all payments of principal, interest and commitment fees) to the Assuming Lender.

This Assumption Agreement may be executed in counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart by telecopier shall be effective as delivery of a manually executed counterpart of this Assumption Agreement.

This Assumption Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

[NAME OF ASSUMING LENDER]

By \_\_\_\_\_

Name:

Title:

Domestic  
Lending Office  
(and address  
for notices):

[Address]

Eurodollar Lending Office:

[Address]

Acknowledged and Agreed to:

THE WASHINGTON POST COMPANY

By \_\_\_\_\_

Name:

Title:

March \_\_, 1998

To each of the Lenders parties  
to the Credit Agreement dated  
as of March 17, 1998 among  
The Washington Post Company,  
said Lenders, Citibank, N.A., as  
Agent for said Lenders, and  
Wachovia Bank, N.A.,  
as Co-Agent

The Washington Post Company

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(h)(iv) of the Credit Agreement, dated as of March 17, 1998 (the "Credit Agreement"), among The Washington Post Company (the "Borrower"), the Lenders parties thereto, Citibank, N.A., as Agent for said Lenders, and Wachovia Bank, N.A., as Co-Agent. Terms defined in the Credit Agreement are used herein as therein defined.

I am the General Counsel of the Borrower and as such I am familiar with the Credit Agreement and the corporate proceedings taken by the Borrower to authorize the execution and delivery of the Credit Agreement.

For purposes of this opinion, I have examined:

(1) The Credit Agreement.

(2) The documents furnished by the Borrower pursuant to Article III of the Credit Agreement.

(3) The Certificate of Incorporation of the Borrower and all amendments thereto (the "Charter").

(4) The by-laws of the Borrower and all amendments thereto (the "By-laws").

(5) A certificate of the Secretary of State of Delaware, dated \_\_\_\_\_, 199[8], attesting to the continued corporate existence and good standing of the Borrower in that State.

In addition, I have examined the originals, or copies certified to my satisfaction, of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower, and agreements, instruments and other documents, as I have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, I have, when relevant facts were not independently established by me, relied upon certificates of the Borrower or its officers or of public officials. I have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders, the Agent and the Co-Agent.

My opinions expressed below are limited to the law of the State of New York, the General Corporation Law of the State of Delaware and the Federal law of the United States of America.

Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the following opinion:

1. The Borrower is a corporation validly existing and in good standing under the laws of the State of Delaware.
2. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, are within the Borrower's corporate powers, and have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) to the best of my knowledge after appropriate inquiry, (x) any contractual restriction or (y) any legal restriction contained in orders, writs, judgments, awards, injunctions or decrees applicable to the Borrower or its assets, in each case that affects or purports to affect the Borrower's right to borrow money or the Borrower's obligations under the Credit Agreement or Notes. The Credit Agreement and the Notes delivered on the date hereof have been duly executed and delivered on behalf of the Borrower.
3. No authorization, approval or other action by, and no notice to or filing with, any United States Federal, New York or, to the extent required under the General Corporation Law of the State of Delaware, Delaware governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of the Credit Agreement and the Notes.

4. The Credit Agreement is, and when executed and delivered in connection with Borrowings, the Notes will be, legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

5. To the best of my knowledge after appropriate inquiry, there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that purport to affect the legality, validity, binding effect or enforceability of the Credit Agreement or any of the Notes or the consummation of the transactions contemplated thereby or that are likely to have a materially adverse effect upon the financial condition or operations of the Borrower and its Subsidiaries taken as a whole.

The opinions set forth above are subject to the following qualifications:

(a) My opinion in paragraph 4 above as to enforceability is subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar law affecting creditors' rights generally.

(b) My opinion in paragraph 4 above as to enforceability is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(c) Insofar as provisions contained in the Credit Agreement provide for indemnification, the enforceability thereof may be limited by public policy considerations.

(d) I express no opinion as to (i) Section 2.15 of the Credit Agreement insofar as it provides that any Lender purchasing a participation from another Lender pursuant thereto may exercise set-off of similar rights with respect to such participation and (ii) the effect of the law of any jurisdiction other than the State of New York wherein any Lender may be located or wherein enforcement of the Credit Agreement or the Notes may be sought that limits the rates of interest legally chargeable or collectible.

Very truly yours,

## THE WASHINGTON POST COMPANY

## STOCK OPTION PLAN

As Amended and Restated  
Effective March 12, 1998

## 1. Purpose of the Plan

The purpose of this Stock Option Plan (hereinafter called the Plan) of The Washington Post Company, a Delaware corporation (hereinafter called the Company), is to secure for the Company and its stockholders the benefits of incentive inherent in the ownership of Class B Common Stock of the Company by employees of the Company and its subsidiaries who will be responsible for its future growth and continued success. It is generally recognized that stock option plans aid in retaining and encouraging key employees of ability and in attracting other able employees.

## 2. Stock Subject to the Plan

There are hereby authorized and reserved for issuance upon the exercise of options to be granted from time to time under the Plan an aggregate of 1,400,000 shares\* of the Company's Class B Common Stock, which shares may be in whole or in part, as the Board of Directors shall from time to time determine, issued shares which shall have been reacquired by the Company or authorized but unissued shares, whether now or hereafter authorized. If any option granted under the Plan shall expire, terminate or be cancelled for any reason without having been exercised in full, the corresponding number of unpurchased shares which were reserved for issuance upon exercise thereof shall again be available for the purposes of the Plan. To the extent that options provide that the exercise of one shall reduce the number of shares purchasable under the other, then, for purposes of the Plan, the Company shall be deemed to have awarded options only for the aggregate number of shares which in fact may be purchased under such options (and not for the number of shares covered by both such options).

## 3. Administration of the Plan

The Plan shall be administered by the Committee referred to in paragraph 4 (hereinafter called the Commit-

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\* Adjusted to give effect to stock splits in 1971, 1976 and 1978.

tee). Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, options shall be granted and the number of shares to be subject to each option; provided, however, that the aggregate fair market value of the shares (determined as of the time the option is granted) for which any employee may be granted an incentive stock option (as defined in Section 422A of the Internal Revenue Code of 1954, as it may be amended from time to time) under all plans of the Company and its subsidiaries providing for the grant of incentive stock options in any calendar year after 1980 shall not exceed \$100,000 plus any unused limit carryover to such year (as defined in Section 422A of the Internal Revenue Code of 1954, as it may be amended from time to time). In making such determinations, the Committee may take into account the nature of the services rendered or expected to be rendered by the respective employees, their present and potential contributions to the Company's success, the anticipated number of years of effective service remaining and such other factors as the Committee in its discretion shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective options (which terms and provisions need not be the same in each case), and to make all other determinations deemed necessary or advisable in administering the Plan. The determinations of the Committee on the matters referred to in this paragraph 3 shall be conclusive.

#### 4. The Committee

The Committee shall consist of not less than three members of the Board of Directors and shall be designated the Stock Option Committee of the Board of Directors. No member of the Committee shall be eligible to receive an option under the Plan. The Committee shall be appointed by the Board of Directors, which may from time to time appoint members to the Committee in substitution for or in addition to members previously appointed and may fill vacancies, however caused, in the Committee; the Board of Directors shall also designate one of the members of the Committee as its Chairman. The Committee shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary (who need not be a member of the Committee) and may make such rules and regulations for the conduct of its

business as it shall deem advisable. No member of the Committee shall be liable, in the absence of bad faith, for any act or omission with respect to his service on the Committee. Service on the Committee shall constitute service as a Director of the Company so that the members of the Committee shall be entitled to indemnification and reimbursement as Directors of the Company pursuant to its Certificate of Incorporation.

#### 5. Time of Granting of Options

Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board of Directors or by the stockholders of the Company shall constitute the granting of any option hereunder. The action of the Committee with respect to the granting of an option shall take place on such date as a majority of the members of the Committee at a meeting shall make a determination with respect to the granting of an option or, in the absence of a meeting, on such date as a written Designation covering such option shall have been executed by all the members of the Committee. The effective date of the grant of an option (hereinafter called the Granting Date) shall be the date specified by the Committee in its determination or Designation relating to the award of such option.

#### 6. Eligibility

Options may be granted only to key employees (which term shall be deemed to include officers) who on the Granting Date are in the employ of the Company or one of its present or future subsidiary corporations, as defined in Section 425 of the Internal Revenue Code of 1954, as the same shall be amended from time to time (hereinafter called Subsidiaries). A Director of the Company or of a Subsidiary who is not also such an employee of the Company or one of its Subsidiaries shall not be eligible to receive an option. During the life of the Plan options may be granted to eligible employees whether or not they hold or have held options under the Plan or other options previously granted by the Company.

#### 7. Option Prices

The purchase price of the Class B Common Stock under each option shall be determined by the Committee, but shall not be less than 100% of the fair market value of the Class B Common Stock on the Granting Date of such option, as determined by the Committee. The purchase price of shares purchased upon the exercise of an option is to be paid in full upon the issuance of such shares, either in cash or by the surrender of whole shares of Class B Common Stock having a fair market value, as determined by the Committee, equal to such purchase price, or by a combination of cash and whole

shares. If paid in cash, the purchase price paid for stock upon the exercise of options shall be added to the general funds of the Company and used for corporate purposes. If paid in whole or in part in shares, the shares surrendered shall be held as Treasury shares.

In the alternative, the Committee may, in its discretion at any time, determine whether to permit an optionee the right to elect to make a "cashless exercise" of all or some portion of an option by tendering to the Company some or all of the vested otherwise exercisable portion of the option in return for a cash payment from the Company equal to the positive difference, if any, between the fair market value of the number of shares of Class B Common Stock covered by such tendered portion of the option and the aggregate option price attributable to such shares. The Company shall cause appropriate tax withholding to be made with respect to any such cash payment upon a "cashless exercise" of an option by withholding the appropriate amount from the aggregate proceeds made available through the "cashless exercise". Finally, an optionee may direct, in connection with a "cashless exercise," that some or all of the cash otherwise payable to the optionee from the Company be instead applied to the payment of the option price of shares of Class B Common Stock with respect to which the optionee has a vested currently exercisable option and which are not the subject of the current "cashless exercise." As such, the optionee would be using the value inherent in some existing options to create a source for funding the exercise of other options. The Company shall effectuate appropriate income tax withholding with respect to any "cashless exercise" used to fund the purchase of shares of Class B Common Stock by withholding the appropriate amount from the aggregate proceeds made available through the "cashless exercise" (including the amount of tax withholding required with respect to the purchase of such additional shares of Class B Common Stock) and applying the remaining amount of consideration to the purchase of additional shares of Class B Common Stock.

#### 8. Option Types, Terms and Conditions

Options granted under the Plan shall be in the form of (a) qualified stock options (as defined in Section 422 of the Internal Revenue Code of 1954, as it may be amended from time to time) and/or (b) incentive stock options (as defined in Section 422A of the Internal Revenue Code of 1954, as it may be amended from time to time) and/or (c) non-qualified stock options which would be restricted stock options as defined in Section 424(b) of the Internal Revenue Code of 1954 but for the date of grant.

The term of each option shall be for such period as the Committee shall determine, but not more than five years from the Granting Date in the case of qualified options, and not more than ten years from the Granting Date in the case of incentive stock options and non-qualified options, subject to earlier termination as the Committee may determine and as provided in paragraphs 10 and 11 hereof.

The Committee shall, in its discretion, prescribe the terms and conditions upon which options may be exercised, which terms and provisions need not be the same in each case. Except as provided in paragraphs 10 and 11 below, no option may be exercised at any time unless the holder thereof is then an employee of the Company or of a Subsidiary. An employee shall have none of the rights of a stockholder with respect to any of the shares subject to option until such shares shall be issued to him upon the exercise of his option.

The Committee may grant to holders of outstanding options, in exchange for the surrender and cancellation of such options, new options (which may be qualified stock options, incentive stock options and/or non-qualified stock options) having purchase prices lower than the purchase prices provided in the options so surrendered and cancelled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of the Plan; provided that such new options shall provide for the purchase of not more than 90% of the number of share covered by the options so surrendered and cancelled and that the purchase price under such new options shall be determined in accordance with paragraph 7 hereof.

Each qualified option and each incentive stock option granted under the Plan shall by its terms comply with the specific requirements of Section 422(b)(5) or Section 422A(b)(7) of the Internal Revenue Code of 1954, as from time to time amended, in effect preventing the exercise of such option while there are outstanding (within the meaning of Section 422(c) or Section 422A(c)(7) of said Code, as from time to time amended) certain other options granted to the holder thereof.

The maximum number of shares subject to options which may be granted under this Plan to any individual employee during the life of this Plan shall not exceed 250,000 in the aggregate.

#### 9. Non-Transferability of Options

No option granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution and an option may be exercised, during the lifetime of the holder thereof, only by him.

#### 10. Termination of Employment

In the event that the employment of an employee to whom an option has been granted under the Plan shall be terminated (otherwise than by reason of death), such option may, subject to the provisions of paragraphs 8 and 12, be exercised (only to the extent that the employee was entitled to do so at the termination of his employment) at any time within three months after such termination, but in no event after the expiration of the term of the option. Notwithstanding the foregoing, the Committee may permit any option granted to an employee whose employment is being terminated (otherwise than by reason of death) to remain exercisable for such period as the Committee shall determine, but in no event beyond the expiration of the term of the option. In the event the Committee so extends the exercise period of an option held by a terminating employee and such option is ex-exercisable as to additional shares in installments, such installments shall continue to accrue after the termination of employment unless the Committee determines that the exercise period shall be extended only with respect to the number of shares purchasable at the date of the termination of employment. Options granted under the Plan shall not be affected by any change of employment so long as the holder continues to be an employee of the Company or of a Subsidiary. Retirement pursuant to any retirement plan of the Company or any Subsidiary shall be deemed to be a termination of employment for the purposes of this paragraph. The Committee may specify in the original terms of an option, or if not so specified shall determine, whether any authorized leave of absence or absence on military or governmental service or for any other reason shall constitute a termination of employment for purposes of this paragraph. Nothing in the Plan or in any option granted pursuant to the Plan (in the absence of an express provision to the contrary) shall confer on any individual any right to continue in the employ of the Company or any of its Subsidiaries or interfere in any way with the right of the Company or any of its Subsidiaries to terminate his employment at any time.

#### 11. Death of Holder of Option

Upon the death of the holder of an option granted under the Plan, such option may be exercised (unless the option otherwise provides) for the following specified number

of shares by a legatee or legatees of such option under the holder's last will, or by the holder's personal representatives or distributees, at any time within one year after the holder's death, but in no event after the expiration of the term of the option: (i) if death occurs while the holder is employed by the Company or a subsidiary, to the extent of (a) the shares purchasable by such holder at the date of his death plus (b) the additional shares covered by the next installment, if any, of such option, or (ii) if death occurs within three months after the termination of the holder's employment or during any extension of the post-termination exercise period permitted by the Committee pursuant to paragraph 10 hereof, to the extent of the shares purchasable by such holder at the date of his death.

#### 12. Employee's Agreement to Serve

The recipient of any option exercisable by the optionee within twelve months of the Granting Date shall agree to serve in the employ of the Company or, at the election of the Company from time to time, one of its Subsidiaries, for such period as the Committee shall determine, which shall not be less than twelve months following the Granting Date. The Committee shall be authorized in its discretion to grant options not exercisable by the optionee within twelve months of the Granting Date, in which case the recipient of such option need not (unless otherwise determined by the Committee) agree to serve in the employ of the Company or its Subsidiaries.

#### 13. Adjustments in Class B Common Stock

Notwithstanding any other provision of the Plan, each option may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to such option, the option price and the number of shares as to which the option shall be exercisable at any time in the event of changes in the outstanding Class B Common Stock by reason of any stock dividend, split-up, recapitalization, combination or exchange of shares, merger, consolidation, separation, reorganization, liquidation and the like. In the event of any such change in the outstanding Class B Common Stock, the class and aggregate number of shares available under the Plan shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

#### 14. Amendment and Termination

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no option shall be granted thereunder after, December 31,

1995, provided that the Board of Directors may at any time prior to that date terminate the Plan. The Board of Directors shall have complete power and authority to amend the Plan, provided, however, that the Board of Directors shall not, without the affirmative vote of the holders of a majority of the voting stock of the Company entitled to vote thereon, (i) increase the maximum number of shares for which options may be granted under the Plan, (ii) change the formula as to minimum option prices, (iii) extend the period during which options may be granted or exercised or (iv) change the class of employees to whom options may be granted. No termination or amendment of the Plan may, without the consent of the individual to whom any option shall theretofore have been granted, adversely affect the rights of such individual under such option.

#### 15. Government and Other Regulations

The obligation of the Company to sell and deliver shares under options granted under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies as may be required, including, but not by way of limitation, the effectiveness of a Registration Statement under the Securities Act of 1933, as amended, as deemed necessary or appropriate by counsel for the Company.

#### 16. Other Actions

Nothing contained in the Plan shall be construed to limit the authority of the Company to exercise its corporate rights and powers, including, but not by way of limitation, the right of the Company (i) to grant options for proper corporate purposes otherwise than under the Plan to any employee or other person, firm, corporation or association or (ii) to grant options to, or assume the option of, any person in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business and assets (in whole or in part) of any person, firm, corporation or association.

THE WASHINGTON POST COMPANY  
AND SUBSIDIARIES

CALCULATION OF EARNINGS PER SHARE OF COMMON STOCK  
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	Fiscal Year		
	1997	1996	1995
Weighted average shares outstanding			
Class A Common	1,754	1,802	1,838
Class B Common (excluding shares issuable upon exercise of stock options - accounted for below)	8,946	9,162	9,237
Shares used in computation of basic earnings per share	10,700	10,964	11,075
Add - Shares assumed issuable upon exercise of stock options	172	109	111
Deduct - Shares assumed to be purchased for Treasury with proceeds from exercise of stock options	(139)	(93)	(100)
Shares used in computation of diluted earnings per common share	10,733	10,980	11,086
Net income available for common shares	\$ 280,618	\$ 220,137	\$190,096
Basic earnings per common share	\$ 26.23	\$ 20.08	\$ 17.16
Diluted earnings per common share	\$ 26.15	\$ 20.05	\$ 17.15

## SUBSIDIARIES OF THE COMPANY

Name of Subsidiary -----	Jurisdiction of Incorporation or Organization -----	% of Voting Stock Owned by Company -----
Bowater Mersey Paper Company Limited .....	Nova Scotia	49%
Cable One, Inc. ....	Delaware	100%
Capitol Fiber, Inc. ....	Maryland	80%
The Daily Herald Company .....	Washington	100%
Digital Ink Co. ....	Delaware	100%
The Photo Store LLC .....	Maryland	50%
The Gazette Newspapers, Inc. ....	Maryland	100%
Greater Washington Publishing, Inc. ....	Delaware	100%
I.H.T. Corporation .....	Delaware	50%
International Herald Tribune S.A.S. ....	France	33-1/3%
International Herald Tribune S.A.S. ....	France	33-1/3%
Legi-Slate, Inc. ....	Delaware	100%
State Capital Strategies, Inc. ....	Delaware	100%
Los Angeles Times-Washington Post News Service, Inc. ....	D.C.	50%
Newsprint, Inc. ....	Virginia	100%
Newsweek, Inc. ....	New York	100%
Newsweek Productions, Inc. ....	Delaware	100%
Newsweek Services, Inc. ....	Delaware	100%
Newsweek Services (Canada), Inc. ....	Delaware	100%
Post-Newsweek Business Information, Inc. ....	Virginia	100%
Post-Newsweek Cable of North Dakota, Inc. ....	Delaware	100%
Post-Newsweek Stations, Inc. ....	Delaware	100%
Post-Newsweek Stations, Florida, Inc. ....	Florida	100%
Post-Newsweek Stations, Houston, Inc. ....	Delaware	100%
Post-Newsweek Stations, Michigan, Inc. ....	Delaware	100%
Post-Newsweek Stations, Orlando, Inc. ....	Delaware	100%
Post-Newsweek Stations, San Antonio, Inc. ....	Delaware	100%

SUBSIDIARIES OF THE COMPANY  
(Continued)

Name of Subsidiary -----	Jurisdiction of Incorporation or Organization -----	% of Voting Stock Owned by Company -----
Robinson Terminal Warehouse Corporation .....	Delaware	100%
Kaplan Educational Centers, Inc. ....	Delaware	100%
LCP International Institute, Inc. ....	California	100%
The Lendman Group, Inc. ....	Virginia	100%
HireSystems, Inc. ....	Virginia	100%
Score Learning Corporation .....	California	100%
Stanley H. Kaplan Educational Center of Canada Ltd. ....	Ontario	100%
Stanley H. Kaplan Educational Center of Puerto Rico, Inc. ....	Puerto Rico	100%
Recruiting Services, Inc. ....	Ohio	100%
WPC Telecommunications, Inc. ....	Delaware	100%
Moffet, Larson & Johnson, Inc. ....	Delaware	80%

.....

As permitted by Item 601(b)(21) of Regulation S-K, the foregoing list omits certain subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(v) of Regulation S-X.

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Registration No. 2-42170) of The Washington Post Company, and in the Prospectus constituting a part thereof, of our report dated January 27, 1998 appearing on page 26 of this Annual Report on Form 10-K, and to the reference to us under the heading "Experts" in such Prospectus.

PRICE WATERHOUSE LLP

Washington, D.C.  
March 23, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 28, 1997 AND THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 28, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
DEC-28-1997		
DEC-28-1997		21,117
		0
	293,909	
	49,706	
	19,213	
	308,492	
		1,231,195
	577,445	
	2,077,317	
608,756		0
	11,947	
		0
		20,000
	1,164,074	
2,077,317		0
	1,956,253	
		0
	1,019,869	
	0	
	65,258	
	1,252	
	463,074	
	181,500	
281,574		
	0	
	0	
		0
	281,574	
	26.23	
	26.15	

The information reported above under "EPS-PRIMARY" represents basic earnings per share for the year ended December 28, 1997.