

Edgar Filing: DISCOVERY ZONE INC - Form SC 13D/A

DISCOVERY ZONE INC  
Form SC 13D/A  
March 24, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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SCHEDULE 13D

(Amendment No. 6)

Under the Securities Exchange Act of 1934

DISCOVERY ZONE, INC.  
(Name of Issuer)

Common Stock, Par Value \$.01 Per Share  
(Title of Class of Securities)

25468B 10 7  
(CUSIP Number)

Philippe P. Dauman, Esq.  
Viacom Inc.  
1515 Broadway  
New York, New York 10036  
Telephone: (212) 258-6000  
(Name, Address and Telephone Number of  
Person Authorized to Receive Notices and  
Communications)

Copy to:

Creighton O' M. Condon, Esq.  
Shearman & Sterling  
599 Lexington Avenue  
New York, NY 10022  
Telephone: (212) 848-4000

April 17, 1995  
(Date of Event which Requires Filing of this Statement)

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If the filing person has previously filed a statement on  
Schedule 13G to report the acquisition which is the subject  
of this Schedule 13D, and is filing this schedule because of  
Rule 13d-1(b)(3) or (4), check the following box [ ].  
Check the following box if a fee is being paid with this  
statement [ ].

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CUSIP No. 25468B 10 7

(1) Name of Reporting Person

S.S. or I.R.S. Identification No. of Above Person

VIACOM INC.

I.R.S. Identification No. 04-2949533

(2) Check the Appropriate Box if a Member of Group (See Instructions)

[ ] (a)

[ ] (b)

(3) SEC Use Only

(4) Sources of Funds (See Instructions)

(5) Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e).

(6) Citizenship or Place of Organization Delaware

Number of (7) Sole Voting Power

Shares

Beneficially (8) Shared Voting Power 24,220,354

Owned by

Each (9) Sole Dispositive Power

Reporting

Person (10) Shared Dispositive Power 24,220,354

With

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-----  
(11) Aggregate Amount Beneficially Owned by Each Reporting Person  
24,220,354  
-----

(12) Check if the Aggregate Amount in Row (11) Excludes Certain  
Shares (See Instructions) -----

-----  
(13) Percent of Class Represented by Amount in Row (11) -----  
49.6%  
-----

(14) Type of Reporting Person (See Instructions) CO  
-----  
-----

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CUSIP No. 25468B 10 7

(1) Name of Reporting Person  
S.S. or I.R.S. Identification No. of Above Person

SUMNER M. REDSTONE  
-----

S.S. No.  
-----

(2) Check the Appropriate Box if a Member of Group (See  
Instructions)

[ ] (a) -----

[ ] (b) -----

(3) SEC Use Only  
-----  
-----

(4) Sources of Funds (See Instructions)

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(5) Check if Disclosure of Legal Proceedings is Required  
Pursuant to Items 2(d) or 2(e).

(6) Citizenship or Place of Organization United States

Number of (7) Sole Voting Power

Shares

Beneficially (8) Shared Voting Power 24,220,354

Owned by

Each (9) Sole Dispositive Power

Reporting

Person (10) Shared Dispositive Power 24,220,354

With

(11) Aggregate Amount Beneficially Owned by Each Reporting Person  
24,220,354

(12) Check if the Aggregate Amount in Row (11) Excludes Certain  
Shares (See Instructions)

(13) Percent of Class Represented by Amount in Row (11)

49.6%

(14) Type of Reporting Person (See Instructions) IN

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This Amendment No. 6 amends the Statement on Schedule 13D filed with the Securities and Exchange Commission on June 3, 1993, as amended (the "Statement") by Sumner M. Redstone and Viacom Inc. ("Viacom"). This Amendment No. 6 is filed with respect to the shares of common stock, par value \$.01 per share (the "Common Stock"), of Discovery Zone, Inc., a Delaware corporation (the "Issuer"), with its principal offices located at 205 North Michigan Avenue, Chicago, Illinois 60601. Capitalized terms used but not defined herein have the meanings assigned to such terms in the Statement.

### Item 2. Identity and Background.

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Item 2 is hereby amended and supplemented to reflect changes in the directors and executive officers of Viacom as set forth on Schedule I attached hereto. Schedule I sets forth the following information with respect to each such person:

- (i) name;
- (ii) business address (or residence where indicated); and
- (iii) present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted.

All of the directors and executive officers of Viacom are citizens of the United States.

During the last five years, neither Viacom nor any person named in Schedule I attached hereto (including Sumner M. Redstone) has been convicted in a criminal proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

### Item 4. Purpose of Transaction.

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Item 4 of the Statement is hereby amended and supplemented as follows:

Viacom and Blockbuster Entertainment Group, a division of Viacom ("Blockbuster"), have entered into a five-year Management Services Agreement dated April 17, 1995 (the "Management Services Agreement") with the Issuer. Blockbuster has agreed to assume the management of the operational and administrative functions of the Issuer, subject to certain closing conditions. Blockbuster will be reimbursed for the costs and expenses incurred in the provision of management services to the Issuer, and the Issuer will issue to Viacom, on the effective date of the Management Services Agreement, warrants (the "Warrants") to purchase an aggregate of 473,463 shares of a new class of noncumulative convertible voting participating preferred stock (the "Preferred Stock") of the Issuer.

The Warrants will be divided into three classes, Series A Warrants, Series B Warrants and Series C Warrants, which will be exercisable for an equal number of shares of Preferred Stock, will vest on the first, second and third anniversaries of the effective date of the Management Services Agreement and, except under certain circumstances, will not be exercisable until December 16, 1998. Each share of Preferred Stock issuable upon exercise of the Warrants will have a liquidation preference of \$.10 per share, will be entitled to noncumulative dividends in an amount equal to the greater of (x) 5% of the liquidation preference per share, when, as and if declared by the board of directors of the Issuer and (y) a pro rata share of the dividends paid with respect to the Common Stock (based on the number of shares of Common Stock the Preferred Stock is convertible into), will vote with the Common Stock as one class on all matters submitted to the stockholders of the Issuer (based on the number of shares of Common Stock the Preferred Stock is convertible into) and will automatically convert into 24 shares of Common Stock, subject to adjustment, immediately but only following a sale of the Preferred Stock to a person unaffiliated with Viacom. The exercise prices for the Series A Warrants, Series B Warrants and Series C Warrants per share of the Common Stock into which the Preferred Stock is convertible are \$10.375, \$11.931 and \$14.317, respectively.

In addition, the non-Viacom directors of the Issuer other than Donald F. Flynn have agreed to resign on the effective date of the Management Services Agreement and the Issuer's current directors have agreed to cause nominees designated by Viacom to be appointed to Issuer's board of directors. Donald F. Flynn has resigned as Chief Executive Officer of the Issuer and Steven R. Berrard, the Chief Executive Officer of Blockbuster, has been appointed interim Chief Executive Officer of the Issuer.

Pursuant to a Stock Purchase Agreement dated as of April 17, 1995 (the "Stock Purchase Agreement") among DKB, Inc., Kevin F. Flynn June, 1992 Non-Exempt Trust and Brian J. Flynn June, 1992 Non-Exempt Trust, as sellers (the "Sellers"), Donald F. Flynn, Kevin F. Flynn and Brian J. Flynn, as guarantors, and Viacom and its indirect wholly owned subsidiary Blockbuster Discovery Investment, Inc. ("BDI"), as purchasers (the "Purchasers"), subject to regulatory and other closing conditions, (i) Viacom, through BDI, has agreed to purchase 3,818,649 shares of Common Stock at a price of \$6.50 per share from the Sellers, following the exercise by the Sellers of warrants to acquire shares of Common Stock, (ii) in order to allow the Purchasers to maintain their ownership percentage of Common Stock at 49.99%, the Sellers have agreed to grant to the Purchasers a two-year option to acquire up to 2,210,695 shares of Common Stock at a price equal to 75% of their market price; provided, however, ----- that such price shall never be less than \$6.50 or more than \$12.50 per share, and (iii) the Sellers have agreed to grant to the Purchasers a two-year right of first offer covering an additional 1,205,156 shares of Common Stock. Following the acquisition of the shares of Common Stock by the Sellers, upon exercise of their warrants, and the purchase of the 3,818,649 shares of Common Stock pursuant to the Stock Purchase Agreement, Viacom will own approximately 49% of the outstanding Common Stock, based upon the number of shares of Common Stock outstanding as of April 17, 1995.

Pursuant to a letter agreement dated April 17, 1995 (the "Letter

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Agreement") among the Issuer, Blockbuster Family Fun, Inc. and Family Entertainment Centers, Inc., the Issuer has agreed to acquire, subject to regulatory and other conditions, the assets of two entertainment centers currently operated under the "Block Party" name and mark from subsidiaries of Viacom for the lesser of the cost of the entertainment centers and \$15,000,000, payable in ten year subordinated notes of the Issuer.

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A copy of the press release issued by the Issuer on April 17, 1995 relating to the foregoing transactions, the Management Services Agreement, the Stock Purchase Agreement and the Letter Agreement are attached hereto as exhibits and are incorporated herein by reference.

Item 5. Interest in Securities of the Issuer.  
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See Item 4 for information which may be required by this Item 5.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect  
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to Securities of the Issuer.  
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See Item 4 for information which may be required by this Item 6.

Item 7. Material to be Filed as Exhibits.  
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- A. Management Services Agreement dated April 17, 1995, among the Issuer, Blockbuster and Viacom.
- B. Stock Purchase Agreement dated as of April 17, 1995 among DKB, Inc., Kevin F. Flynn June, 1992 Non-Exempt Trust and Brian J. Flynn June, 1992 Non-Exempt Trust, as sellers, Donald F. Flynn, Kevin F. Flynn and Brian J. Flynn, as guarantors, and Viacom and BDI, as purchasers.
- C. Letter Agreement dated April 17, 1995 among the Issuer, Blockbuster Family Fun, Inc. and Family Entertainment Centers, Inc.
- D. Press release issued by the Issuer on April 17, 1995.

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Signature

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

April 18, 1995

VIACOM INC.

By /s/ Michael D. Fricklas

-----  
Name: Michael D. Fricklas

Title: Senior Vice President  
and Deputy General Counsel

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Signature

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

April 18, 1995

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-----  
Sumner M. Redstone, Individually

\*By /s/ Philippe P. Dauman

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Philippe P. Dauman  
Attorney-in-Fact under the  
Limited Power of Attorney filed  
as Exhibit 99.2 to the Statement,  
Amendment No. 4.

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Schedule I

Executive Officers

Name	Business or Residence Address	Principal Occupation or Employment	Name and Address of Corporation Other Organization Which Employed
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Sumner M. Redstone*	Viacom Inc. and	Chairman of the Board of	National Amusements

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	Viacom International Inc. 1515 Broadway New York, NY 10036	Viacom Inc. and Viacom International Inc.; Chairman of the Board and President, Chief Executive Officer of National Amusements Inc.	200 Elm Street Dedham, MA 02026 Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
H. Wayne Huizenga*	Blockbuster Entertainment Group One Blockbuster Plaza Fort Lauderdale, FL 33301	Vice-Chairman of the Board of Viacom Inc. and Chairman of Blockbuster Entertainment Group; Chairman of the Board of Huizenga Holdings, Inc.	Blockbuster Enterta Group One Blockbuster Pla Fort Lauderdale, FL
Frank J. Biondi, Jr.*	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	President, Chief Executive Officer of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Vaughn A. Clarke	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Treasurer of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Philippe P. Dauman*	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Executive VP, General Counsel, Chief Administrative Officer and Secretary of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Thomas E. Dooley	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Executive VP, Finance, Corporate Development and Communications of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Carl Folta	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Corporate Relations of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Michael D. Fricklas	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Deputy General Counsel and Assistant Secretary of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036

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\* Director

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Name -----	Business or Residence Address -----	Principal Occupation or Employment -----	Name and Address of Corporation or Other Organization Which Employed -----
Susan Gordon	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	VP, Controller and Chief Accounting Officer of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Rudolph L. Hertlein	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Edward D. Horowitz	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Technology of Viacom Inc. and Viacom International Inc.; Chairman, Chief Executive Officer of Viacom Interactive	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Henry Leingang	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Chief Information Officer of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
William A. Roskin	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Human Resources and Administration of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
George S. Smith, Jr.	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Chief Financial Officer of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036
Mark M. Weinstein	Viacom Inc. and Viacom International Inc. 1515 Broadway New York, NY 10036	Sr. VP, Government Affairs of Viacom Inc. and Viacom International Inc.	Viacom Inc. and Viacom International 1515 Broadway New York, NY 10036

Directors

George S. Abrams	Winer & Abrams 1 Court Street Boston, MA 02108	Attorney, Winer & Abrams	Winer & Abrams 1 Court Street Boston, MA 02108
Steven R. Berrard	Blockbuster Entertainment Group One Blockbuster Plaza Fort Lauderdale, FL	President and Chief Executive Officer of the Blockbuster Entertainment Group	Blockbuster Enterta Group One Blockbuster Pla Fort Lauderdale, FL

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Name -----	Business or Residence Address -----	Principal Occupation or Employment -----	Name and Address of Corporation or Other Organization Which Employes -----
William C. Ferguson	NYNEX Corporation 335 Madison Avenue New York, NY 10017	Chairman of the Board and Chief Executive Officer of NYNEX Corporation	NYNEX Corporation 335 Madison Avenue New York, NY 10017
George D. Johnson, Jr.	Blockbuster Entertainment Group One Blockbuster Plaza Fort Lauderdale, FL 33301	President -- Domestic Consumer Division of the Blockbuster Entertainment Group	Blockbuster Enterta Group One Blockbuster Pla Fort Lauderdale, FL
Ken Miller	C.S. First Boston Park Avenue Plaza 55 East 52nd Street New York, NY 10055	Vice Chairman of C.S. First Boston	C.S. First Boston Park Avenue Plaza 55 East 52nd Street New York, NY 10055
Shari Redstone	National Amusements, Inc. 200 Elm Street Dedham, MA 02026	Executive Vice President of National Amusements, Inc.	National Amusements 200 Elm Street Dedham, MA 02026
Brent D. Redstone	National Amusements, Inc. Showtime Networks Inc. 8101 East Prentice Ave. Englewood, CO 80111	Self-Employed	
Frederic V. Salerno	NYNEX Corporation 335 Madison Avenue New York, NY 10017	Vice Chairman--Finance and Business Development of NYNEX Corporation	NYNEX Corporation 335 Madison Avenue New York, NY 10017
William Schwartz	Yeshiva University 2495 Amsterdam Avenue New York, NY 10033	VP for Academic Affairs (chief academic officer) of Yeshiva University	Yeshiva University 2495 Amsterdam Aven New York, NY 10033

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Exhibit Index

Exhibit No. - - - - -	Description - - - - -	Page No. - - - - -
A.	Management Services Agreement dated April 17, 1995, among the Issuer, Blockbuster and Viacom.	
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