MCA INC. 100 UNIVERSAL CITY PLAZA, UNIVERSAL CITY, CALIFORNIA 91608, 818-777-1000

MCA INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 5, 1987

To the Stockholders of MCA INC.:

The annual meeting of the stockholders of MCA INC. will be held at The First Chicago Center, One First National Plaza, Chicago, Illinois, on Tuesday, May 5, 1987, at 10:30 o'clock A.M., Chicago time, for the following purposes:

1. To elect 3 directors of Class II to hold office until the expiration of their term as directors and until their respective successors are elected and qualified, or until their earlier resignation or removal;

2. To approve the appointment of Price Waterhouse by the Board of Directors to be the independent auditors to examine the consolidated financial statements of MCA INC. and its subsidiaries for the fiscal year ending December 31, 1987;

3. To approve an amendment (similar to that adopted by many Delaware corporations) to the MCA INC. Certificate of Incorporation (i) eliminating certain liabilities of directors to MCA INC. or its stockholders for money damages for certain breaches of fiduciary duty as a director and (ii) providing for indemnity of directors, officers and others, as provided under the Delaware General Corporation Law; and

4. To transact any other business as may properly come before the meeting and any adjournments thereof, including one stockholder proposal as set forth in the Proxy Statement accompanying this Notice.

Only holders of record of common stock of MCA INC. at the close of business March 13, 1987 will be entitled to notice of and to vote at the meeting and any adjournments thereof. In compliance with Section 219 of the General Corporation Law of the State of Delaware, a list of the stockholders entitled to vote at the meeting will be open for examination by any stockholder for any purpose germane to the meeting during ordinary business hours for a period of ten days prior to the meeting at the offices of The First National Bank of Chicago, Shareholder Services Administrative Department, One North State Street, Ninth Floor, Chicago, Illinois 60602. The list of stockholders will be available for examination at The First Chicago Center on the day of the meeting from 8:30 o'clock A.M., Chicago time until adjournment of the meeting.

For your convenience, we suggest that you use the Dearborn Street entrance to The First National Bank of Chicago Building. The First Chicago Center is situated in the Plaza area adjacent to the bank.

STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING IN PERSON ARE REQUESTED TO FILL IN, DATE, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE ENCLOSED ADDRESSED ENVELOPE TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

By Order of the Board of Directors

MICHAEL SAMUEL
Secretary

Universal City, California
March 20, 1987

PLEASE VOTE, SIGN AND RETURN YOUR PROXY CARD NOW!

A

YOUR VOTE IS IMPORTANT

PLEASE COMPLETE YOUR PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE

FORM 10-K

A copy of the Company's annual report on Form 10-K for the year ended December 31, 1986, as filed with the Securities and Exchange Commission will be furnished without charge (excluding exhibits) to any stockholder upon written request to Secretary, MCA INC., 100 Universal City Plaza, Universal City, California 91608.

MCA INC.

100 Universal City Plaza
Universal City, California 91608
(818) 777-1000

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS OF MCA INC.

MAY 5, 1987

GENERAL INFORMATION

The solicitation of the proxy enclosed herewith is made by and on behalf of the Board of Directors of MCA INC. (herein sometimes called the Company) to be used at the annual meeting of stockholders of the Company to be held at The First Chicago Center, One First National Plaza, Chicago, Illinois, on Tuesday, May 5, 1987, at 10:30 o'clock A.M., Chicago time, and at any adjournments thereof.

Any person signing and mailing the enclosed proxy may vote in person if in attendance at the meeting. Proxies may be revoked at any time prior to exercise by (1) due execution of another proxy bearing a later date received by the Secretary of the Company before any vote is taken at the annual meeting, or by (2) written notice of revocation received by the Secretary before any vote is taken at the annual meeting. Stockholders are encouraged to vote on the matters to come before the meeting by marking their preferences on the enclosed proxy and by dating, signing and returning the proxy in the enclosed envelope.

The expense of this solicitation of proxies will be borne by the Company. Solicitations will be made by the use of the mail, except that, if deemed desirable, officers and regular employees of the Company may solicit proxies by telephone, telegraph, or personal calls. The Company has also retained the firm of D.F. King & Co., Inc. of New York which may aid in the solicitation of banks, brokers and other nominee and institutional stockholders, for a fee of approximately $7,500. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners of the stock held of record by such persons and the Company will reimburse them for their reasonable expenses incurred in this connection.

The 1986 Annual Report to Shareholders, including financial statements for the fiscal year ended December 31, 1986, has been mailed to all stockholders entitled to notice of the annual meeting, but does not constitute part of this proxy statement.

All voting rights are vested exclusively in the holders of the common stock of the Company. Only stockholders of record as of the close of business March 13, 1987 will be entitled to receive notice of and to vote at the meeting and any adjournments thereof. As of January 31, 1987, the Company had outstanding 76,010,862 shares of common stock, excluding shares held by the Company as treasury stock.

It is anticipated that this proxy statement and the accompanying notice of annual meeting and form of proxy will be mailed to stockholders on or about March 20, 1987.

STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at the 1988 annual meeting of stockholders must be received by the Company at its principal executive office for inclusion in the Company's proxy statement and form of proxy for such meeting by November 23, 1987. Stockholders submitting such proposals are requested to address them to Secretary, MCA INC., 100 Universal City Plaza, Universal City, California 91608. It is suggested that such proposals be sent by Certified Mail—Return Receipt Requested.

VOTING SECURITIES

Each stockholder of the Company is entitled to one vote for each share of common stock standing in the stockholder's name on the books of the Company as of the close of business March 13, 1987.

As of January 31, 1987 the following persons were known to the Company to be the beneficial owners of more than 5% of the Company's common stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Outstanding Common Stock
Wells Fargo Bank, Ruth Stein Cogan and Lew R. Wasserman, Trustees of the Annuity Trust under the Will of Jules C. Stein, Deceased 100 Universal City Plaza Universal City, CA 91608	3,826,415 Direct	5.0%
Lew R. Wasserman MCA INC. 100 Universal City Plaza Universal City, CA 91608	5,223,840(1) Direct	6.9%(1)

(1) The number of shares excludes 3,826,415 shares held by the Annuity Trust under the Will of Jules C. Stein, Deceased; Mr. Wasserman serves as one of the 3 trustees of the Annuity Trust under the Will of Jules C. Stein, Deceased. The number of shares excludes 2,118,251 shares held by various charitable associates of Mr. Wasserman. The number of shares excludes 420,364 shares held in various trusts under the Will of Jules C. Stein; Mr. Wasserman serves as one of the 3 trustees of such trusts (the other trustees are Wells Fargo Bank and Ruth Stein Cogan). The number of shares excludes 6,400 shares held by trusts established by Mr. Wasserman for the benefit of a member of his family. The number of shares excludes any interest in the shares held by the MCA INC. Profit Sharing Trust for Mr. Wasserman as a participant in the Trust. The number of shares also excludes all the 29,002 shares held by the MCA INC. Profit Sharing Trust; Mr. Wasserman serves as one of the 4 trustees of the MCA INC. Profit Sharing Trust (the other trustees are two officers of MCA INC. and Ruth Stein Cogan, an executive employee of MCA INC.) and one of 3 members of the Profit Sharing Trust Committee (the other members of the Committee are Sidney Jay Sheinberg and Thomas Wertheimer, both of whom are officer-directors of MCA INC.). Mr. Wasserman may be deemed to have shared voting and investment power with respect to the shares held by the Annuity Trust under the Will of Jules C. Stein, Deceased, Mr. Wasserman's charitable associates, the trusts under the Will of Jules C. Stein, the trusts established by Mr. Wasserman for the benefit of a family member, and the MCA INC. Profit Sharing Trust. Mr. Wasserman disclaims beneficial ownership as to those shares to which he may be deemed to have shared voting and investment power, except for shares held for his benefit in the MCA INC. Profit Sharing Trust. In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, if the 3,826,415 shares held by the Annuity Trust under the Will of Jules C. Stein, Deceased, the 2,118,251 shares held by various charitable associates of Mr. Wasserman, the 420,364 shares held by the trusts under the Will of Jules C. Stein, the 6,400 shares held by trusts for a Wasserman family member, and the 29,002 shares held by the MCA INC. Profit Sharing Trust were aggregated with the 5,223,840 shares appearing in the table, the total of such shares would be 11,624,272 shares, constituting 15.3% of the outstanding common stock.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has a standing Audit Committee presently composed of Mary Gardiner Jones, Thomas V. Jones (Chairman) and Felix G. Rohatyn. During 1986 the Audit Committee held 4 meetings. The functions of the Audit Committee are to recommend for appointment by the Board of Directors and approval by the stockholders the independent auditors who audit the Company's financial statements; review the adequacy and propriety of the scope of the audit; approve the services to be performed by and fees to be paid to the independent auditors and review the independence of the independent auditors and determine that the independent auditors have and have had full freedom to perform their services; review the adequacy of the Company's system of internal accounting controls; review the adequacy of the Company's code of conduct prohibiting unethical, questionable and illegal activities; review the internal controls to monitor compliance therewith, and conduct any investigations deemed necessary; review the financial statements with the independent auditors and consult with them regarding the results of their examinations; and generally to advise the Board of Directors as to the adequacy of and recommendations for improving the Company's systems for financial reporting and internal controls.

The Board of Directors also has a standing Nominating Committee presently composed of Mary Gardiner Jones, Felix G. Rohatyn (Chairman) and Robert S. Strauss. The Nominating Committee held 1 meeting in 1986. The functions of the Nominating Committee are to recommend to the Board of Directors the persons to be submitted to the stockholders as the nominees for election as directors; determine the procedure for identifying nominees; review and recommend criteria for Board membership; recommend the number of directors to serve on the Board; and recommend the compensation to be paid to members of the Board and its various committees. The Nominating Committee does not consider stockholder recommendations as to nominees for election to the Board of Directors.

The Company does not have a standing compensation committee.

Proposal 1

ELECTION OF DIRECTORS

During 1986 the Board of Directors held 4 meetings. The Bylaws of the Company provide for a system of classification for the election of directors, with each director elected to one of 3 classes for a 3 year term. The terms of the directors of each class expire successively. The Bylaws provide that the number of directors which constitute the entire Board shall not be less than 6 nor more than 12. On September 16, 1986, Frank Price, a director in Class III, resigned. Thereafter, in accordance with the Bylaws, the Board of Directors decreased the number of directors from 10 to 9 and fixed the number of directors in Class III at 3. On March 2, 1987, Howard H. Baker, Jr., a director in Class III, resigned. Thereafter, in accordance with the Bylaws, the Board of Directors decreased the number of directors from 9 to 8 and fixed the number of directors in Class III at 2.

At this year's annual meeting of stockholders, 3 directors of Class II will be elected for a term expiring at the 1990 annual meeting of stockholders. If any vacancy occurs in the Board of Directors, the affirmative vote of a majority of the remaining directors will either reduce the number of directors (but not less than the minimum number set forth in the Bylaws) or elect a director to fill such vacancy to hold office for the unexpired portion of the full term of the class to which elected, which term may extend beyond the next succeeding annual meeting of stockholders. Each director will be elected to serve until a successor is elected and qualified or until the director's earlier resignation or removal.

The persons named in the attached form of proxy or their substitutes will vote such proxy for the election of the nominees for election as directors in Class II listed below, unless otherwise directed on the accompanying form of proxy. If at the time of the meeting any nominee is not a candidate for director (all nominees have indicated a willingness to serve) and if one or more vacancies exist, the persons designated in the proxy as the persons entitled to vote the same reserve the right to vote for such substitute nominee or nominees as they in their discretion shall determine.

The Board of Directors unanimously recommends a vote "FOR" the above proposal.

Name, Principal Occupation and Other Information	Age	Date of Initial Election as Director of MCA INC.	MCA INC. Common Stock Beneficially Owned as of January 31, 1987	
			No. of Shares	Percent of Outstanding Common Stock
CLASS II (Nominees for Election at 1987 Annual Meeting; Term as Director to Expire at 1990 Annual Meeting)				
Thomas V. Jones,†§	66	Dec. 18, 1979	3,000	—
Chairman of the Board, Northrop Corp.				
During the past 5 years principal occupation was Chairman of the Board, Northrop Corp.				
Northrop Corp. is a diversified aerospace corporation with annual sales of approximately $5.6 billion involved in aircraft, electronics and communications, and services				
Robert S. Strauss,♦	68	Sept. 17, 1982	3,000	—
Partner, Akin, Gump, Strauss, Hauer & Feld; Director, Xerox Corporation, Archer-Daniels-Midland Corporation, Lone Star Industries, and PepsiCo, Inc.				
During the past 5 years principal occupation was attorney				
Akin, Gump, Strauss, Hauer & Feld is a law firm with offices in Washington, D.C., Dallas, Texas and London, England				
Thomas Wertheimer,°	48	Aug. 27, 1976	257,507(1)	.3%
Director, Executive Vice President, MCA INC.; director and officer of subsidiaries				
During the past 5 years principal occupation was Executive Vice President and Vice President, MCA INC.				

(Table continued on following page)

Name, Principal Occupation and Other Information	Age	Date of Initial Election as Director of MCA INC.	MCA INC. Common Stock Beneficially Owned as of January 31, 1987	
			No. of Shares	Percent of Outstanding Common Stock
CLASS III (Term as Director Expires at 1988 Annual Meeting)				
Felix G. Rohatyn,†♦	58	Dec. 18, 1979	3,000	—
General Partner, Lazard Frères & Co.; Director, American Motors Corporation, Pfizer Inc. and Schlumberger Limited				
Chairman, Municipal Assistance Corporation for the City of New York				
During the past 5 years principal occupation was General Partner of Lazard Frères & Co.				
Lazard Frères & Co. is an investment banking firm				
Sidney Jay Sheinberg,°	51	Sept. 11, 1973	1,100,976(2)	1.4%
Director, President and Chief Operating Officer, MCA INC.; director and officer of subsidiaries				
During the past 5 years principal occupation was President and Chief Operating Officer, MCA INC.				
CLASS I (Term as Director Expires at 1989 Annual Meeting)				
Howard P. Allen,§	61	Sept. 17, 1982	300	—
Director, Chairman of the Board and Chief Executive Officer since 1984, Southern California Edison Company; Director, Cal Fed, Inc., ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc., PS Group, Inc., Computer Sciences Corporation, and Northrop Corp.				
During the past 5 years principal occupation was Chairman of the Board and Chief Executive Officer and President, Southern California Edison Company				
Southern California Edison is a publicly owned utility with annual revenues of approximately $5.3 billion providing electrical service in a 50,000 square mile area of Southern and Central California				
Mary Gardiner Jones,†♦	66	Mar. 18, 1976	743	—
President, Consumer Interest Research Institute, Washington, D.C. since 1983				
From 1977 to 1982 principal occupation was Vice President, Consumer Affairs, Western Union Telegraph Co.				
Consumer Interest Research Institute is a nonprofit research organization performing public policy analyses from the consumer's perspective				

(Table continued on following page)

Name, Principal Occupation and Other Information	Age	Date of Initial Election as Director of MCA INC.	MCA INC. Common Stock Beneficially Owned as of January 31, 1987	
			No. of Shares	Percent of Outstanding Common Stock
Lew R. Wasserman,°§	73	Nov. 18, 1958	5,223,840(3)	6.9%
Director, Chairman of the Board and Chief Executive Officer, MCA INC.; director and officer of subsidiaries				
During the past 5 years principal occupation was Chairman of the Board and Chief Executive Officer, MCA INC.				
Directors and Officers as a group (35 persons)			7,684,301(4)(5)	10.1%*

* 18.5% if the shares as to which Mr. Wasserman may be deemed to have shared voting and investment power are included. See Footnote 5.

° Member of Executive Committee.

† Member of Audit Committee.

◆ Member of Nominating Committee.

§ Member of Incentive Stock Plan Committee.

(1) The number of shares includes those shares issued pursuant to the MCA INC. 1975 Incentive Stock Plan which are not yet vested and are subject to forfeiture. The number of shares includes shares in the MCA Employee Stock Ownership Plan and shares in the MCA INC. Stock Investment Plan attributable to Mr. Wertheimer's interest. The number of shares excludes any interest in the shares held by the MCA INC. Profit Sharing Trust. The number of shares excludes 4,647 shares held by Mr. Wertheimer's children as to which he disclaims beneficial ownership and 6,630 shares held by a charitable associate of Mr. Wertheimer.

(2) The number of shares includes those shares issued pursuant to the MCA INC. 1975 Incentive Stock Plan which are not yet vested and are subject to forfeiture. The number of shares includes shares in the MCA Employee Stock Ownership Plan and shares in the MCA INC. Stock Investment Plan attributable to Mr. Sheinberg's interest. The number of shares excludes any interest in the shares held by the MCA INC. Profit Sharing Trust. The number of shares excludes 31,250 shares held by a charitable associate of Mr. Sheinberg.

(3) The number of shares excludes 3,826,415 shares held by the Annuity Trust under the Will of Jules C. Stein, Deceased; Mr. Wasserman serves as one of the 3 trustees of the Annuity Trust under the Will of Jules C. Stein, Deceased. The number of shares excludes 2,118,251 shares held by various charitable associates of Mr. Wasserman. The number of shares excludes 420,364 shares held in various trusts under the Will of Jules C. Stein; Mr. Wasserman serves as one of the 3 trustees of such trusts. The number of shares excludes 6,400 shares held by trusts established by Mr. Wasserman for the benefit of a member of his family. The number of shares excludes any interest in the shares held by the MCA INC. Profit Sharing Trust for Mr. Wasserman as a participant in the Trust. The number of shares also excludes all the 29,002 shares held by the MCA INC. Profit Sharing Trust. Mr. Wasserman serves as one of the 4 trustees of the MCA INC. Profit Sharing Trust (the other trustees are two officers of MCA INC. and Ruth Stein Cogan, an executive employee of MCA INC.) and one of 3 members of the Profit

(Footnotes continued on following page)

Sharing Trust Committee (the other members of the Committee are Mr. Sheinberg and Mr. Wertheimer, both of whom are officer-directors of MCA INC.). Mr. Wasserman may be deemed to have shared voting and investment power with respect to the shares held by the Annuity Trust under the Will of Jules C. Stein, Deceased, Mr. Wasserman's charitable associates, the trusts under the Will of Jules C. Stein, the trusts established by Mr. Wasserman for the benefit of a family member, and the MCA INC. Profit Sharing Trust. Mr. Wasserman disclaims beneficial ownership as to those shares to which he may be deemed to have shared voting and investment power, except for shares held for his benefit in the MCA INC. Profit Sharing Trust. In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, if the 3,826,415 shares held by the Annuity Trust under the Will of Jules C. Stein, Deceased, the 2,118,251 shares held by various charitable associates of Mr. Wasserman, the 420,364 shares held by the trusts under the Will of Jules C. Stein, the 6,400 shares held by trusts for a Wasserman family member and the 29,002 shares held by the MCA INC. Profit Sharing Trust were aggregated with the 5,223,840 shares appearing in the table, the total of such shares would be 11,624,272 shares, constituting 15.3% of the outstanding common stock.

(4) The number of shares includes those shares issued pursuant to the MCA INC. 1975 Incentive Stock Plan which are not yet vested and are subject to forfeiture. The number of shares includes shares held in the MCA INC. Stock Investment Plan attributable to the interests of all officers of the Company; certain of these shares are subject to forfeiture under the terms of the Plan. The number of shares includes shares in the MCA Employee Stock Ownership Plan attributable to the interests of officers. The number of shares excludes any interest in shares held by the MCA INC. Profit Sharing Trust.

(5) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, if the 7,684,301 shares held by the Directors and Officers as a group were aggregated with the 6,400,432 shares as to which Mr. Wasserman may be deemed to have shared voting and investment power as noted in (3) above, the total of such shares would be 14,084,733 shares, constituting 18.5% of the outstanding common stock.

COMPENSATION AND RELATED MATTERS

The following table presents, in accordance with the rules and regulations of the Securities and Exchange Commission, all cash compensation paid or accrued for payment for services rendered in all capacities to the Company and its subsidiaries during the year ended December 31, 1986, to each of the 5 most highly compensated executive officers of the Company, and to all executive officers of the Company as a group, during such time they were executive officers:

Name of individual or number of persons in group	Capacities in which served	Cash compensation (1)
(A)	(B)	(C)
Irving Azoff (2)	Vice President	$ 559,000
Frank Price (3)	Director and Vice President	419,250
Sidney Jay Sheinberg (4)	Director, President and Chief Operating Officer, and Member of Executive Committee	559,000
Lew R. Wasserman (5)	Director, Chairman of the Board, Chief Executive Officer and Member of Executive Committee	559,000
Thomas Wertheimer (6)	Director, Executive Vice President and Member of Executive Committee	559,000
Executive Officers as a group (26 persons) (7)		8,190,378

(Footnotes on following page)

(1) Dividends on shares held under the Incentive Stock Plan have not been included in the table. Executive officers of the Company may be provided other benefits in addition to cash compensation. Except as may be otherwise set forth herein, the aggregate amount of any such benefits with respect to each of the 5 most highly compensated executive officers did not exceed $25,000 for such officer, nor did the aggregate amount of any such benefits with respect to executive officers as a group exceed $25,000 times the number of persons in the group.

(2) Under an agreement with the Company, Mr. Azoff's employment shall continue (subject to termination by the Company under certain circumstances) until April 30, 1991. His current annual salary is $550,000. Under the employment agreement, the Company has agreed to issue to Mr. Azoff, subject to his continued employment, an aggregate of 165,000 shares of the Company's common stock between January 1987 and January 1991. See also information set forth under "Other Information Concerning Directors and Officers".

(3) Mr. Price resigned as a director and Vice President of the Company on September 16, 1986. Mr. Price has an employment agreement with the Company, expiring November 10, 1988, under which his current annual salary is $550,000.

(4) Under an agreement with the Company, Mr. Sheinberg's employment shall continue (subject to termination by the Company under certain circumstances) until February 14, 1989. His current annual salary is $550,000. See also information set forth under "Other Information Concerning Directors and Officers".

(5) Under an agreement with the Company, Mr. Wasserman's employment shall continue (subject to termination by the Company under certain circumstances) until January 14, 1989. His current annual salary is $550,000. After January 14, 1989, Mr. Wasserman will be employed on an exclusive basis for 7 years as an advisor and consultant to the Company. Unless Mr. Wasserman elects not to serve as an advisor and consultant, his employment in such capacity shall automatically continue for successive 7 year periods. Mr. Wasserman will receive annual compensation at the rate of $100,000 from the commencement of the advisory-consulting period. If, for any reason, Mr. Wasserman does not serve as an advisor and consultant to the Company for a period of at least 10 years, the Company shall make payments at the annual rate of $100,000 to Mr. Wasserman or to his wife (if Mr. Wasserman is then deceased and if Mrs. Wasserman is then living) until 10 such annual payments (including any prior payments for consulting) have been made in the aggregate to Mr. Wasserman and his wife.

(6) Under an agreement with the Company, Mr. Wertheimer's employment shall continue (subject to termination by the Company under certain circumstances) until February 14, 1989. His current annual salary is $550,000.

(7) During 1986, the Company issued an aggregate of 13,500 shares of MCA INC. common stock, having a market value on the dates of issuance of $597,563, to two of its executive officers (neither of whom is among the five most highly compensated executive officers) pursuant to the terms of their employment agreements. The aforementioned market values were determined on the basis of the average of the high and low market prices for the Company's common stock as reported on the New York Stock Exchange—Composite Transactions on the dates of issuance. Pursuant to employment agreements with five of its executive officers, including Mr. Azoff, the Company has agreed to issue an aggregate of 377,000 shares of MCA INC. common stock between January 1987 and May 1991 to such executive officers, subject to their continued employment.

Compensation Pursuant to Employee Benefit Plans

The Company and its subsidiaries maintain various benefit plans for their officers and employees which may require continued employment before benefits vest under the plans.

Incentive Stock Plan*

In 1975, the Board of Directors of the Company adopted and the stockholders approved the MCA INC. 1975 Incentive Stock Plan (the "Plan") to provide for the issuance of shares of MCA INC. common stock as an additional incentive for certain officers and employees of the Company and its subsidiaries to make their maximum contribution to the growth and development of the Company. The Plan, which is the successor to previous plans the first of which was adopted in 1967, authorized the issuance of 1,875,000 shares and the reissuance of shares forfeited under the Plan. On May 5, 1931 the stockholders approved an amendment to the Plan to increase the number of shares authorized for issuance under the Plan by 1,050,000 shares. On May 3, 1983 the stockholders approved an amendment to the Plan to increase the number of shares authorized for issuance under the Plan by 1,500,000 shares. As of January 31, 1987, 584,296 shares remained available for issuance pursuant to the Plan.

The Plan provides that the Incentive Stock Plan Committee in certain circumstances may authorize immediate vesting or deferral of vesting of any shares. In the absence of such authorization, starting with the fifth anniversary of the date of issuance, one-fifth of the shares vest annually, and upon separation from employment the participant forfeits the shares which are not vested. If a participant dies or becomes totally disabled, the Plan provides for vesting of all or a portion of the shares, depending upon the circumstances. If a participant retires at or after age 60, the Plan provides for vesting of all of the shares.

Under the Plan, participants have the right to vote their shares and to receive any cash dividends and stock distributions paid thereon; any shares paid as stock distributions are restricted and vest in the same manner as the shares to which such stock distributions relate. Until vested the shares may not be transferred.

During 1986, 273,174 shares having a market value of $13,541,836 vested pursuant to the Plan for all executive officers as a group, including 25,500 shares having a market value of $1,196,906 for Mr. Azoff, 45,000 shares having a market value of $2,404,688 for Mr. Price, 112,500 shares having a market value of $5,519,531 for Mr. Sheinberg and 21,240 shares having a market value of $1,084,980 for Mr. Wertheimer. The aforementioned market values were determined on the basis of the average of the high and low market prices for the Company's common stock as reported on the New York Stock Exchange—Composite Transactions on the dates of vesting. Mr. Wasserman has never been a participant in the Plan or any predecessor thereto.

Stock Investment Plan

On June 4, 1968 the stockholders approved and ratified the MCA INC. Stock Investment Plan (the "Plan") to provide eligible employees with an opportunity on a voluntary basis to acquire MCA INC. common stock under a regular savings plan and to provide additional security for retirement. Full-time salaried employees of the Company (and such of its subsidiaries as may be approved by the Board of Directors) who have completed one year of continuous service with the Company (other than employees who own 5% or more of the outstanding stock of the Company) are eligible to participate in the Plan. Each employee who elects to participate in the Plan may contribute by payroll deduction not more than 5% of the employee's regular salary. Participants may subsequently elect to suspend their contributions entirely, with no Company contributions during the period of suspension. Effective January 1, 1987, the Company contributes, to the extent permitted by law, out of current or accumulated net income, an amount equal to 40% of the amounts contributed by the participating employees. From 1983 through 1986, the Company had made contributions in an

* Numbers of shares have been adjusted for stock splits and stock dividends.

amount equal to 50% of the amounts contributed by the participating employees. All contributions by the Company and by employees are invested in MCA INC. common stock. Shares may be purchased on or off the New York Stock Exchange, or Pacific Stock Exchange, but no shares may be purchased off such Exchanges from any officer or director of the Company. Subject to some limitations and forfeiture provisions, participating employees while actively employed may withdraw all or part of the amounts in their accounts. Upon death, total incapacity, or retirement at or after age 60, the current value of all contributions allocated to an employee will be paid to the employee, or to the employee's beneficiary or legal representative, in shares of MCA INC. common stock together with cash in lieu of fractional shares and cash credited to the employee's account. Upon termination of an employee's service for reasons other than death, total incapacity, or retirement at or after age 60, all such contributions will be paid to the employee, except for the Company's contributions and earnings with respect thereto during the twenty-four month period prior to the month of such termination which shall be forfeited. If such employee is reemployed by the Company within five years after the date of the employee's termination and resumes participation in the Plan, the employee's non-vested interest in the Plan at the time of the employee's prior termination is credited to the employee's account if the employee repays to the Plan the entire amount of the distribution received from the Plan. Amounts forfeited are used to reduce subsequent Company contributions. Participating employees have the right to vote shares held in their accounts.

The Plan contains a "salary reduction" feature in accordance with the provisions of section 401(k) of the Internal Revenue Code. The salary reduction feature permits a participant to designate that all or a portion of a participant's contribution under the Plan shall be treated as a pre-tax contribution. To the extent a participant so designates, his or her contributions to the Plan are not subject to federal income tax (and possibly state income tax) until such contributions are eventually distributed to the participant (or the participant's beneficiary) in accordance with the terms of the Plan. Employer contributions continue to equal 40% of the total contribution of the participant, whether or not all or a portion of the participant's contributions are designated as pre-tax contributions. In order to comply with section 401(k) of the Internal Revenue Code, with respect to any designated pre-tax contributions only, withdrawal rights are limited to cases of "hardship" as defined in applicable Treasury Department regulations.

Company contributions under the Plan during 1986 (which are subject to forfeiture as described above) for all executive officers as a group totalled $20,425. Messrs. Sheinberg and Wertheimer received no Company contributions under the Plan in order not to exceed the statutory maximum aggregate Company contribution limitation to all defined contribution plans. Messrs. Azoff and Price do not participate in the Plan. Mr. Wasserman has never been eligible to participate in the Plan.

Employee Stock Ownership Plan

At the 1977 annual meeting the stockholders approved the MCA Employee Stock Ownership Plan (the "Plan"). The Plan was effective as of January 1, 1976. Under prior law, a 10% investment tax credit was generally available on the amount invested in qualified property. An additional 1% tax credit was made available under the Tax Reduction Act of 1975, as amended by the Tax Reform Act of 1976, the Revenue Act of 1978 and the Economic Recovery Tax Act of 1981, for each of the years 1976 through 1982, provided that an amount equal to the additional 1% was used to provide stock to employees through an employee stock ownership plan of this type.

The principal features of the Plan are summarized below:

1. The Plan involves no out-of-pocket cost to the Company except a portion of the cost of administering the Plan.

2. All employees of MCA INC. and Universal City Studios, Inc. are eligible to participate in the Plan after one year of employment, except certain employees who are members of collective bargaining units.

3. All participating employees are fully vested at all times and have the right to vote shares held in their accounts.

4. No employee contributions are required.

5. Distributions from the Plan are made in the form of MCA INC. common stock and cash in lieu of fractional shares and take place as the result of a participant's termination of service.

6. Allocations to individual participants are based on salary up to a maximum of $100,000 per year subject to certain limitations.

The Company's contribution to the Plan may be in the form of cash or common stock of MCA INC. Cash contributed by the Company will be applied to purchase shares of MCA INC. common stock. The Company contributes to the Plan an amount equal to 1% of the Company's qualified investment as shown on its federal income tax return. This contribution is made not later than 30 days after the Company files its federal income tax return in which the investment tax credit is utilized. Company contributions will be made only to the extent that and as long as an additional investment tax credit is allowable under the Tax Reduction Act of 1975, as amended. In years subsequent to 1976, if the investment tax credit cannot be utilized (for example, because of the requirement that credits carried over from prior years must be used before credits generated in the current year), the Company contribution may be deferred until such time as the credit may be used. For years after 1982, the Economic Recovery Tax Act of 1981 eliminated investment tax credits for contributions used to fund employee stock ownership plans. As a result of this change in the law, except as discussed below, the Company will discontinue contributions to the Plan since the contribution for Plan Year 1982 has been made. The Plan will continue in all other respects.

Based on a 1984 Internal Revenue Service announcement an additional contribution to the Plan for Plan Year 1983 is authorized based upon investment tax credit on production costs incurred in 1982 related to 1983 film releases. The contribution will be made when the investment tax credit is utilized on a federal income tax return of the Company.

The Company has also filed refund claims with the Internal Revenue Service relating to investment tax credits on record masters. Resolution of these claims in the Company's favor will result in additional contributions to the Plan.

The remaining Company contributions for the Plan Year 1982 made during 1986 for all executive officers as a group totalled $55,651, including $2,929 for each of Messrs. Sheinberg and Wertheimer. Messrs. Azoff and Price have not been eligible to participate in the Plan; Mr. Wasserman has never been eligible to participate in the Plan.

MCA INC. Profit Sharing Trust

MCA INC. maintains the MCA INC. Profit Sharing Trust (the "Trust") to provide retirement and other benefits for employees of MCA INC. All salaried employees on the permanent staff of MCA INC. on the payroll on December 31st of each year participate in the Trust. No employee contributions are required; beginning in 1987, the Company anticipates that it will contribute an amount equal to 12% of the salary paid to each participant during the year (subject to reductions and limitations set forth below) plus all expenses of operating the Trust, provided that the Company has sufficient current net profits to cover contributions to the Trust. The Company had previously contributed an amount equal to 15%. The statutory maximum aggregate Company contribution to all defined contribution plans per participant for each of 1986 and 1987 is $30,000. For new employees hired after December 31, 1980 who become participants in the Trust, the Company contributions made for their account will be reduced by all or a portion of the Company's share of the Social Security contributions made on their behalf. A participant's interest in the Trust, which may not be assigned or hypothecated, becomes fully vested when the participant reaches age 60, dies or becomes permanently disabled. When a participant completes a period of 6 full years of continuous service with the Company ending December 31st, then on such December 31st, 20% of the participant's proportionate interest in the Trust becomes non-forfeitable; and thereafter upon completion on December 31st of each full year of participation in the Trust an additional 20%

becomes non-forfeitable, and at the end of 10 full years of continuous service, 100% of a participant's interest becomes non-forfeitable. Upon termination of employment with the Company for reasons other than death, retirement at or after age 60, or total and permanent disability, the non-vested portion of a participant's interest is forfeited. Such forfeitures reduce the Company's contribution. If such participant is reemployed by the Company within five years after the date of the participant's termination, the non-vested interest in the Trust at the time of the participant's prior termination is credited to the participant's account if the participant repays to the Trust the entire amount of any distribution received from the Trust.

Distribution of vested interests in the Trust are made in a lump sum or in installments. Payments may be made at the Trustee's discretion in cash or in securities or in a combination of cash and securities.

Company contributions to the Trust during 1986 for all executive officers as a group totalled $708,378, including $30,000 for each of Messrs. Azoff, Price, Sheinberg, Wasserman and Wertheimer; as of December 31, 1986, $103,878 of this $708,378 was unvested and subject to forfeiture.

Plans Maintained by Subsidiaries

In addition to the MCA INC. Profit Sharing Trust, the MCA INC. Stock Investment Plan, the MCA INC. Incentive Stock Plan, and the MCA Employee Stock Ownership Plan, various subsidiaries maintain profit sharing plans to which the particular subsidiary makes annual contributions which are limited by the amount of the subsidiary's profits; no subsidiary contributes more than 15% of the compensation paid to its eligible employees. In addition, various subsidiaries maintain employee pension plans which are funded by contributions made by the subsidiaries. One executive officer (who is not one of the five most highly compensated executive officers of the Company) participates in one subsidiary's plans; contributions by such subsidiary for such executive officer for 1986 totalled $67,291.

Other Information Concerning Directors and Officers

Under the Company's insured medical reimbursement plan for officers, all participants, including retired officers of the Company, are entitled to reimbursement of 80% (100% for officers who retired prior to January 1, 1987) of eligible medical expenses for themselves, their spouse and dependent children to a maximum in any one year of the lesser of 10% of their prior year's salary (for retired officers their final year's salary) or $15,000 (5% or $7,500 for officers elected after December 31, 1983). Officers of the Company also receive life insurance benefits which are based on the officer's salary.

Alvin Rush, a Vice President of the Company, has a loan from the Company evidenced by a note secured by a first mortgage on real property, which bears interest at 6% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Rush's indebtedness to the Company was $361,151; the amount outstanding at January 31, 1987 was $348,654.

Robert A. Harris, a Vice President of the Company, had a loan from the Company evidenced by a note secured by a second mortgage on real property, which bore interest at 10% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Harris' indebtedness to the Company was $175,000; at January 31, 1987 the loan had been paid in full.

Donald E. Menchel, a Vice President of the Company, has a loan from the Company evidenced by a note partially secured by stock representing his interest in a cooperative apartment, which bears interest at 10% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Menchel's indebtedness to the Company was $347,042; the amount outstanding at January 31, 1987 was $343,099.

Lawrence D. Spungin, a Vice President of the Company, has a loan from the Company evidenced by a note secured by a third mortgage on real property, which bears interest at 8.5% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Spungin's indebtedness to the Company was $67,804; the amount outstanding at January 31, 1987 was $63,632.

Jay S. Stein, a Vice President of the Company, has a loan from the Company evidenced by a note secured by a first mortgage on real property, which bears interest at 8.5% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Stein's indebtedness to the Company was $304,822; the amount outstanding at January 31, 1987 was $276,359.

Robert B. Braswell, a Vice President of the Company, has a loan from the Company evidenced by a note secured by a second mortgage on real property, which bears interest at 10% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Braswell's indebtedness to the Company was $65,000; the amount outstanding at January 31, 1987 was $61,993.

Eugene F. Giaquinto, a Vice President of the Company, has a loan from the Company evidenced by a note secured by a first mortgage on real property, which bears interest at 8.5% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Giaquinto's indebtedness to the Company was $172,264; the amount outstanding at January 31, 1987 was $170,040.

Robert D. Hadl, a Vice President of the Company, has a loan from the Company evidenced by a note secured by a second mortgage on real property, which bears interest at 10% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Hadl's indebtedness to the Company was $150,000; the amount outstanding at January 31, 1987 was $148,454.

Peter Israel, a Vice President of the Company, has a loan from the Company evidenced by a note secured by a first mortgage on real property, which bears interest at 10% per annum. Since January 1, 1986, the largest aggregate amount outstanding of Mr. Israel's indebtedness to the Company was $114,575; the amount outstanding at January 31, 1987 was $104,857.

The loans evidenced by the foregoing notes become due and immediately payable upon termination of employment.

In May 1986, the Company acquired through a series of mergers four entertainment companies—Front Line Management Company, Facility Merchandising, Inc., Full Moon Records and Howard Kaufman Enterprises, Inc.—in exchange for the issuance of an aggregate of 480,769 shares of MCA INC. common stock to the stockholders of such companies. Irving Azoff, a Vice President of the Company, was a stockholder of several of the companies and received 303,845 shares of MCA INC. common stock for his interests therein. The Company issued Mr. Azoff an additional 1,708 shares of MCA INC. common stock which equalled in fair market value as of the effective date of the mergers the amount of the "short-swing" profits under Section 16(b) of the Securities Exchange Act of 1934 (approximately $86,000) resulting from the foregoing mergers that Mr. Azoff was required to and had paid over to the Company. The terms of the mergers were established through arm's-length negotiations between representatives of the stockholders of the acquired companies and the Company, and were approved by the Company's Board of Directors.

A sister and brother-in-law of Robert A. Harris, a Vice President of the Company and President of its MCA Television Group, are employed as a producer and writer, respectively, on certain television shows produced by the Universal Television Division. Mr. Harris' sister has been employed by the division since 1978 and her husband since 1981. Mr. Harris has been employed by the Company or its subsidiaries in various executive capacities since 1975. While in the employ of the Company, neither Mr. Harris' sister nor brother-in-law has been under the direct supervision of Mr. Harris; nor has Mr. Harris participated in negotiating or approving their compensation or their employment arrangements. The aggregate compensation received by Mr. Harris' sister and brother-in-law from the Company in 1986 was approximately $435,000.

Robert S. Strauss, a director of the Company, is a partner in the law firm of Akin, Gump, Strauss, Hauer & Feld. The Company retained such law firm in 1986 to render legal services in connection with certain matters and has retained such firm in 1987 regarding certain matters. In addition, certain entertainment industry organizations of which the Company is a member retained such law firm in 1986 and have retained such firm in 1987.

Felix G. Rohatyn, a director of the Company, is a general partner of Lazard Frères & Co., an investment banking firm. Lazard Frères & Co. has from time to time provided investment banking and other services to the Company and in 1986 acted as financial advisor to the Company in connection with the Company's acquisition of an interest in Cineplex Odeon Corporation, a Canadian-based owner of a chain of motion picture theatres, the Company's acquisition in May 1986 of four entertainment companies and the Company's proposed acquisition of RKO's television station WOR-TV Channel Nine in Secaucus, New Jersey. The Company has retained Lazard Frères & Co. in 1987 to perform financial advisory services in connection with certain of the Company's business affairs.

During 1986 the Company paid premiums totalling $125,407 on a "split dollar" policy of life insurance for Mr. Sheinberg, President and Chief Operating Officer and a director of the Company. The Company has an interest in the cash surrender value and proceeds to the extent of the unrecouped premiums paid by it.

Directors Who Are Not Officers

During 1986 directors who were not officers (Howard P. Allen, Howard H. Baker, Jr., Mary Gardiner Jones, Thomas V. Jones, Felix G. Rohatyn and Robert S. Strauss) each received directors' compensation of $16,000 per year plus $1,250 per meeting attended, and reimbursement for their reasonable expenses in connection with their duties and functions as directors. Non-officer directors who were members of the Audit Committee (Howard H. Baker, Jr., Mary Gardiner Jones, Thomas V. Jones and Felix G. Rohatyn), the Incentive Stock Plan Committee (Thomas V. Jones and Howard P. Allen) and the Nominating Committee (Howard H. Baker, Jr., Mary Gardiner Jones, Felix G. Rohatyn and Robert S. Strauss) each received $16,000 per year for each committee on which they served plus $1,250 for each committee meeting they attended, and reimbursement for their reasonable expenses in connection with their duties and functions as members of the committees.

For 1987, directors who are not officers will each receive directors' compensation of $16,000 per year and $1,250 per meeting attended plus $16,000 per year for each committee on which they serve and $1,250 for each committee meeting they attend in addition to reimbursement for their reasonable expenses in connection with their duties and functions as directors or as members of the committees. Directors who are not officers may defer payment of all or any part of their fees, and the Company will pay interest on the amount deferred at the reference rate from time to time in effect at the Bank of America N.T. & S.A.

Proposal 2

SELECTION OF INDEPENDENT AUDITORS

Upon recommendation of the Audit Committee, the Board of Directors of the Company appointed, subject to approval by the stockholders, Price Waterhouse as the independent auditors to examine the consolidated financial statements of the Company and its subsidiaries for the fiscal year ending December 31, 1987.

Services provided to the Company and its subsidiaries by Price Waterhouse with respect to the year 1986 included examinations of its annual financial statements, limited reviews of quarterly reports, related filings with the Securities and Exchange Commission, audits of employee benefit plans and consultations on new professional pronouncements, various tax matters and acquisition reviews. Price Waterhouse fees with respect to the year 1986 totalled approximately $2,170,000.

A representative of Price Waterhouse will be present at the annual meeting to respond to appropriate questions and to make a statement if such representative wishes to do so.

The Board of Directors unanimously recommends a vote "FOR" the above proposal.

Proposal 3

PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION

The Board of Directors recommends that the stockholders consider and approve a proposal similar to that adopted by many Delaware corporations to amend the Certificate of Incorporation to include a new Article Thirteenth. Section 1 of proposed Article Thirteenth would limit the personal liability of Company directors to the Company or its stockholders for monetary damages for breach of fiduciary duty. A principal effect of the proposal would be that stockholders would surrender their right, and the right of the Company, to bring a cause of action against Company directors for monetary damages for certain breaches of fiduciary duty discussed below, including actions involving takeover proposals for the Company that may constitute gross negligence. Section 2 of proposed Article Thirteenth would define and clarify the rights of certain individuals, including Company directors and officers, to indemnification by the Company in the event of personal liability or expenses incurred by them as a result of certain litigation against them.

Section 1 of proposed Article Thirteenth is consistent with Section 102(b)(7) of the Delaware General Corporation Law ("DGCL") enacted by the Delaware legislature in June 1986. This legislation is designed, among other things, to encourage qualified individuals to serve as directors of Delaware corporations by permitting Delaware corporations to include in their certificates of incorporation a provision limiting directors' liability for monetary damages for breach of the duty of care. Section 102(b)(7) of the DGCL only enables and does not require corporations to include a provision for the elimination or limitation of personal liability of directors. An amendment to the certificate of incorporation approved by stockholders is required to effect the permitted limitation on liability.

Section 2 of proposed Article Thirteenth is consistent with existing DGCL provisions permitting indemnification of certain individuals, including directors and officers. In order to be included in the Company's Certificate of Incorporation, a provision such as Section 2 must be approved by stockholders. The DGCL would also permit the inclusion of such a provision in the Company's Bylaws without stockholder approval. If proposed Article Thirteenth is adopted, the Company intends to amend its Bylaws to delete Article VIII thereof which deals with indemnification of officers and directors.

The text of proposed Article Thirteenth, which is described in greater detail below, is set forth as Exhibit A hereto.

The Board of Directors believes that it is appropriate and advisable that the stockholders adopt the proposed amendment to the Company's Certificate of Incorporation and recommends that stockholders vote to approve and adopt the proposed amendment. As the proposal limits the personal liability of directors for monetary damages for breach of fiduciary duty, the directors of the Company are potentially benefited by the proposal and therefore can be considered to have a personal interest in this matter at the potential expense of the stockholders.

Background and Reasons for Proposed Amendment. In performing their duties, directors of a Delaware corporation are obligated as fiduciaries to exercise their business judgment and act in what they reasonably determine in good faith, after appropriate consideration, to be in the best interests of the corporation and its stockholders. Decisions made on that basis are protected by the so-called "business judgment rule" and should not be second-guessed by a court in the event of a lawsuit challenging such decisions. The business judgment rule is designed to protect directors from personal liability to the corporation or its stockholders when their business decisions are subsequently challenged. However, the expense of defending lawsuits, the frequency with which litigation is brought against directors and the inevitable uncertainties with respect to the outcome of applying the business judgment rule to particular facts and circumstances mean that, as a practical matter, directors and officers of a corporation rely on indemnity from and insurance procured by the corporation as a financial backstop in the event of such expenses or unforeseen liability. The

Delaware legislature has recognized that adequate insurance and indemnity provisions are often a condition of an individual's willingness to serve as a director of a Delaware corporation. The DGCL has for some time specifically permitted corporations to indemnify and procure insurance for its directors and officers.

Recent changes in the market for directors and officers liability insurance have resulted in the unavailability for directors and officers of many corporations of any meaningful liability insurance coverage. Insurance carriers have in certain cases declined to renew existing directors and officers liability policies or have increased premiums to such an extent that the cost of such insurance has increased dramatically. Moreover, current policies often exclude coverage for areas where the service of qualified independent directors is most needed. For example, many policies do not cover liabilities or expenses arising from directors and officers activities in response to attempts to take over a corporation. Such limitations on the scope of insurance coverage, along with high deductibles and low limits of liability, have undermined meaningful directors and officers liability insurance coverage.

The unavailability of meaningful directors and officers liability insurance is attributable to a number of facts, many of which are affecting the liability insurance industry generally, including the granting of unprecedented damage awards and reduced investment income on insurance company investments. Although the Company has to date been able to obtain insurance coverage for directors and officers on a basis which it believes acceptable, the Company has experienced the increase in premiums and decrease in total coverage which is symptomatic of the problems in the liability insurance industry. Moreover, the Company's current policies expire yearly. Hence, the Company is exposed to yearly renegotiation of premiums and coverage, as well as cancellation, in the future. The proposed amendment is designed to assure that directors and officers of the Company do not lose the protection they have had in the past if insurance coverage continues to decrease or becomes unavailable.

According to published sources, the inability of corporations to provide meaningful director and officer liability insurance has had a damaging effect on the ability of public corporations to recruit and retain corporate directors and officers. Although the Company has not directly experienced this problem, the Board of Directors believes that the Company should take every possible step to ensure that the Company will continue to be able to attract the best possible directors and officers.

Recognizing the potential threat to Delaware corporations caused by the recent changes in the market for liability insurance for directors and officers, in June 1986 the Delaware legislature enacted amendments to the DGCL designed to permit Delaware corporations to limit director liability under certain circumstances and to clarify the scope of indemnification authorized by the statute. In the official synopsis of the bill that was enacted, the Delaware legislature stated that "the unavailability of traditional [insurance] policies (and, in many cases, the unavailability of any type of policy from traditional insurance carriers) has threatened the quality and stability of the governance of Delaware corporations because directors have become unwilling, in many instances, to serve without the protection such insurance provides and, in other instances, may be deterred by the unavailability of insurance in certain circumstances from making entrepreneurial decisions." Accordingly, the Delaware legislature revised the DGCL (i) to permit Delaware corporations to limit or eliminate personal liability of directors under certain circumstances by means of an amendment to the certificate of incorporation approved by stockholders, and (ii) to clarify the ability of corporations to provide substitute protection, in the form of indemnity.

The proposed amendment to the Certificate of Incorporation of the Company is consistent with the recent amendments to the DGCL. The purpose of the proposed amendment and the reason it is being recommended to stockholders is to ensure that the Company will continue to attract individuals of the highest quality and ability to serve as its directors and officers.

Proposed Amendment to the Certificate of Incorporation. The following description is a summary of the proposed amendment, which would add a new Article Thirteenth to the Certificate of Incorporation of the Company. The text of the proposed amendment is set forth in Exhibit A hereto and should be read in its entirety by stockholders.

Elimination of Liability in Certain Circumstances. Section 1 of proposed Article Thirteenth provides that a director of the Company shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for paying a dividend or approving a stock repurchase in violation of Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

Section 1 of proposed Article Thirteenth would protect the directors against personal liability from breaches of their duty of care. Under Delaware law, absent adoption of proposed Article Thirteenth directors can be held liable for gross negligence in the performance of their duty of care but not for simple negligence. If adopted by the stockholders, Section 1 of proposed Article Thirteenth would absolve directors of liability for negligence in the performance of their duties, including gross negligence. Accordingly, adoption of the proposal could result in an increase in financial risk to the Company potentially impacting its assets and equity, inasmuch as the Company in such circumstances would be unable to recover monetary damages from its directors. Directors would remain liable for breaches of their duty of loyalty to the corporation and its stockholders, as well as acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law and transactions from which a director derives improper personal benefit. Section 1 would not absolve directors of liability under Section 174 of the DGCL, which makes directors personally liable for unlawful dividends or unlawful stock repurchases or redemptions and expressly sets forth a negligence standard with respect to such liability.

While Section 102(b)(7) has not been the subject of any judicial interpretation, the Company believes that, except for the circumstances specified in the statute and Section 1 of proposed Article Thirteenth, Section 1 will be effective to eliminate monetary liability of directors for a breach of fiduciary duty in connection with future mergers and other business combination transactions involving the Company.

While Section 1 of proposed Article Thirteenth provides directors with protection from awards of monetary damages for breaches of the duty of care, it does not eliminate the directors' duty of care. Accordingly, Section 1 of proposed Article Thirteenth would have no effect on the availability of equitable remedies such as an injunction or rescission based upon a director's breach of the duty of care, although as a practical matter equitable remedies may not be available in particular circumstances and in that case no effective remedy may be available. Furthermore, liabilities which may arise out of acts or omissions occurring prior to the adoption of Section 1 would not be covered by Section 1, so that directors would remain potentially liable for monetary damages in connection with any such acts or omissions. In addition, Section 1 would apply only to claims against a director arising out of his role as a director, and would not apply, if he is also an officer, to his role as an officer or in any capacity other than that of a director or to his responsibilities under any other law, such as the Federal securities law. Section 1 relates only to liabilities of directors to the Company and its stockholders and does not affect liability to third parties. There is no litigation pending, and neither the Company nor its directors knows of any threatened litigation, which might result in claims against the directors.

Indemnification and Insurance. Section 2 of proposed Article Thirteenth of the Certificate of Incorporation would replace Article VIII of the Company's current Bylaws which presently provides that directors, officers and other individuals shall be indemnified by the Company in a broad range of circumstances as permitted under the DGCL. Under the DGCL, directors and officers as well as other employees and individuals may be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with specified actions, suits or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the

right of the corporation—a "derivative action") if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard of care is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with defense or settlement of such an action and the DGCL requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation.

Section 2(a) would provide that each person who was or is made a party to, or is involved in any action, suit or proceeding by reason of the fact that he is or was a director, officer, employee or agent of the Company, including any controlling stockholder of the corporation acting as an agent of the corporation (or was serving at the request of the Company as a director, officer, employee or agent for another entity) while serving in such capacity shall be indemnified and held harmless by the Company, to the full extent authorized by the DGCL as in effect (or, to the extent indemnification is broadened, as it may be amended) against all expense, liability or loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) reasonably incurred by such person in connection therewith. Section 2(a) would further provide that rights conferred thereby shall be contract rights. The rights provided by Section 2(a) would also include the right to be paid by the Company the expenses incurred in defending the proceedings specified above, in advance of their final disposition provided that, if the DGCL so requires of *any* class of persons entitled to advancement of expenses, such payment shall only be made upon delivery to the Company by the indemnified party of an undertaking to repay all amounts so advanced if it shall ultimately be determined that the person receiving such payments is not entitled to be indemnified under such Section 2 or otherwise; and provided further, that such advance shall not be made if the Board of Directors determines that such advancement is not proper in the circumstances because such person has not acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 2(b) provides that persons indemnified under Section 2(a) may bring suit against the Company to recover unpaid amounts claimed thereunder, and that if such suit is successful, the expense of bringing such suit shall be reimbursed by the Company. Section 2(b) further provides that while it is a defense to such a suit that the person claiming indemnification has not met the applicable standard of conduct making indemnification permissible under the DGCL, the burden of proving the defense shall be on the Company and neither the failure of the Board of Directors to have made a determination that indemnification is proper, nor an actual determination that the claimant has not met the applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 2(c) provides that the right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in Sections 2(a) and 2(b) shall not be exclusive of any other right which any person may have or acquire under any statute, provision of the Certificate of Incorporation or Bylaws, or otherwise. Finally, Section 2(d) provides that the Company may maintain insurance, at its expense, to protect itself and any of its directors, officers, employees or agents against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the DGCL.

The provisions of Section 2 of proposed Article Thirteenth of the Certificate of Incorporation described above vary from the current Bylaw provisions in several respects. The current Bylaws specify the circumstances under which indemnification is required, setting forth in detail the relevant statutory language of the DGCL. The proposed amendment requires the Company to indemnify any director, officer, employee or agent to the fullest extent permitted by law, thereby incorporating any future amendments to the DGCL which expand indemnification. The proposed amendment also adds a provision incorporating existing Delaware law which provides indemnification for persons providing service with respect to employee benefit plans.

Approval of Section 2 by the stockholders will insulate such Section against challenges to its legality in most circumstances. However, Section 2 may not be upheld if a court finds fraud, waste or other contravention of public policy in the particular circumstances, or if a court finds approval of the proposal by the stockholders was fraudulently obtained. The indemnification provisions under Section 2 will be applicable to claims asserted after its effective date whether arising from acts or omissions occurring before or after its effective date. Although the Company has no present intention to do so, the Company reserves the right to enter into indemnification contracts or otherwise arrange for indemnification of directors, officers, employees or agents.

Vote Required for Adoption of Proposed Amendment. Under Delaware law, the affirmative vote of the holders of a majority of the outstanding common stock is required to adopt the proposed amendment to the Certificate of Incorporation.

The Board of Directors unanimously recommends a vote "FOR" the above proposal.

Proposal 4

STOCKHOLDER PROPOSAL

John J. Gilbert, the owner of approximately 150 shares of the Company's stock (and representing an additional family interest of approximately 315 shares of the Company's stock), whose address is 1165 Park Avenue, New York, New York 10128, and Martin Glotzer, the owner of approximately 600 shares of the Company's stock, whose address is 7061 N. Kedzie, Chicago, Illinois 60645, have informed the Company that they intend to present the following proposal at the annual meeting of stockholders:

Stockholder Proposal

"RESOLVED: That the stockholders of MCA INC., assembled in annual meeting in person and by proxy, hereby request that the Board of Directors take the steps needed to provide that at future elections of directors, new directors be elected annually and not by classes, as is now provided and that on expiration of present terms of directors their subsequent election also shall be on an annual basis."

The statement submitted by such stockholders in support of such Proposal is as follows:

"REASONS

"Continued strong support along the lines we suggest were shown at the last annual meeting when 12.6% of the votes cast (877 owners of 6,860,013 shares) were cast in favor of this proposal. The vote against included 731 unmarked proxies.

"The management of Allis Chalmers stated in their 1977 proxy statement: 'The Board presently believes, however, that the continuity of management thought to be derived from having a classified Board is outweighed by the increased responsiveness of directors to shareholder views if elected annually. Further, New York Stock Exchange records indicate that most corporations whose securities are listed on the Exchange elect all of their directors annually.'

"Annual election of directors may insure greater accountability to all, and enables owners to take a fresh look each year at all directors.

"If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it, unless you have marked to abstain."

Board of Directors' Recommendation Against Proposal 4

The Board of Directors unanimously recommends a vote "AGAINST" Proposal 4.

Management believes that the system of classification considered and approved by stockholders in 1975 strengthens stability of leadership and continuity of management and policy. New directors are given an opportunity to become familiar with corporate affairs and are able to benefit

from the experience of other members of the Board continuing in office. As a result of the classification, two annual meetings of stockholders are required for stockholders to replace a majority of the Board of Directors and three annual meetings to replace all of them. The system of classification serves to moderate the pace of any change of control of the Company by extending the time required to elect a majority of the whole Board. This may have the effect of discouraging the acquisition of control of the Company.

At the 1986 annual meeting, stockholders representing 47,715,168 shares constituting 87.4% of the total number of votes cast in regard thereto, voted against a similar stockholder proposal.

This Proposal will not be approved unless it receives a majority of the votes cast with respect thereto.

The Board of Directors unanimously recommends a vote "AGAINST" Proposal 4.

OTHER BUSINESS

Other than the matters hereinabove mentioned, no other business is expected to come before the meeting. It is intended, however, that the proxy solicited herein will be exercised in the discretion of the person or persons voting such proxy on any other matters that may properly come before the meeting and any adjournments thereof.

By Order of the Board of Directors

MICHAEL SAMUEL
Secretary

Universal City, California
March 20, 1987

EXHIBIT A

PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION

ARTICLE THIRTEENTH

Section 1. Elimination of Certain Liability of Directors. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

Section 2. Indemnification and Insurance.

(a) *Right to Indemnification.* Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, employee or agent of the corporation, including any controlling stockholder of the corporation acting as an agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent, including any controlling stockholder of the corporation acting as an agent of the corporation, and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (b) hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the corporation. The right to indemnification conferred in this Section shall be a contract right. Further, the right to indemnification conferred in this Section shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires of *any* class of persons entitled to advancement of expenses, the payment of such expenses incurred by a director, officer, employee or agent, including any controlling stockholder of the corporation acting as an agent of the corporation, in his or her capacity as a director, officer, employee or agent in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such director, officer, employee or agent, including any controlling stockholder of the corporation acting as an agent of the corporation, is not entitled to be indemnified under this Section or otherwise; and provided further, that no advancement of expenses shall be made if the board of directors has made a determination that the advancement of expenses is not proper in the circumstances because such person has not met the applicable standard of conduct set forth in the Delaware General Corporation Law.

(b) *Right of Claimant to Bring Suit.* If a claim under paragraph (a) of this Section is not paid in full by the corporation within sixty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid

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amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action that the claimant has not met the standard of conduct which makes it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) *Non-Exclusivity of Rights.* The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

(d) *Insurance.* The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

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